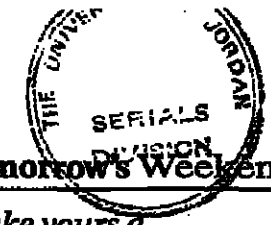


الوقت



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From bitter enemies to
grudging partners
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A stitch in time
Neglect innovation
now, pay the price later
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Japan and the
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Section IV

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY NOVEMBER 13 1992

D8523A

EC and US set to resume farm trade talks next week

EC and US negotiators will try to settle their differences over farm subsidies and world trade next Wednesday and Thursday in Washington. Ray MacSharry, EC agriculture commissioner, and US secretary for agriculture Ed Madigan will resume the farm subsidy talks that came close to success in Chicago 10 days ago. Page 4

Ford Motor named Alex Trotman president and chief operating officer of its worldwide vehicle operations as part of a top management reshuffle. A questionmark remained over the succession to Harold Poling, the US group's chairman and chief executive, who will retire next year. Page 19

German aid for refugees: Germany is to spend DM70m (\$44m) on building houses in Croatia for Yugoslav refugees, a move prompted by Bonn's frustration at the reluctance of EC partners to accept more refugees. Page 3

Transatlantic row brews over Iraq: The US Senate foreign relations committee has asked the UK to explain why, in 1989, it persuaded the US not to add UK machine tool maker Matrix Churchill to a list of companies that had breached US missile technology controls. Major pressed on Iraq. Page 6

BT profits drop 36%: Pre-tax six-monthly profits fell at British Telecommunications by 36 per cent because of a big redundancy programme which helped bring profits down from £1.61bn to £1.05bn (\$1.55bn). Page 18; Lex, Page 18

Clinton pledges new-look cabinet: President-elect Bill Clinton, before announcing his transition team, promised his new cabinet would "look more like America" with more women and ethnic minorities. The transition team was expected to include Judy Feder, a healthcare expert, Al From, head of the centrist Democratic Leadership Council, and Samuel Berger, a senior member of the Carter administration. Page 18

Italy cuts interest rates: The Bank of Italy has cut its key discount lending rate by 1 percentage point to 13 per cent, a larger reduction than most analysts had expected. France shaves rates. Page 2

Japan's trade surplus soars: A surge in car exports to Europe was a main contributor to the 51 per cent increase in Japan's custom-cleared trade surplus in October to a record \$10.9bn. Page 4

Balkan pledge on Macedonia: Greece eased international concern about its intentions towards Macedonia by winning support from Serbia, Bulgaria and Albania to declare inviolable the borders of the former Yugoslav republic. Page 3

Ukraine scraps rouble: The Ukraine said it was abandoning the rouble at midnight last night, replacing it with coupons as a stepping stone to a new currency. Page 3

Industry backs Russian reforms: The leader of Russia's industrialists hit out at those who had accused him of "threatening economic reform in the country. Page 18

Norway helps state banks: Norway is finalising measures to support its three biggest banks, which are in danger of falling capital adequacy regulations unless they receive further state cash. Page 20

Hussein decrees pardon: King Hussein of Jordan pardoned two parliamentary members who had been sentenced to 20 years' hard labour earlier this week on charges of plotting to overthrow the king.

Aids hovers over Asia: The AIDS epidemic sweeping Asia will wreak social and economic devastation if left unchecked, the UN Development Programme warned at a New Delhi conference. Page 4

Sony develops 'Watchman': Sony, which developed the Walkman, is now seeking to make video a similar experience with a portable Watchman video monitor. Page 18

Nymex stays in New York: The New York Mercantile Exchange, the world's largest energy market, will remain in New York City after it voted to drop a plan to relocate to New Jersey. Page 21

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,785.4 (+99.9)	New York: S&P 500	1,827.8
Yield	4.42	DAX	1,827.8
FT-SE Euroshare 100	1,000.53 (+15.77)	London	
FT-Airshare	1,291.89 (+1.13)	\$	1.584 (1.580)
Nikkei	16,378.53 (+58.78)	DM	2.42 (2.4175)
New York: Dow Jones Ind	3,234.82 (+5.41)	FFr	5.106 (5.1725)
S&P Composite	421.81 (+0.38)	Sfr	2.108 (2.1025)
US LUNTIME RATES		£ index	77.8 (77.8)
Federal Funds	3%	DM	
3-mo Treasury Bill	3.115%	New York: S&P 500	1,827.8
Long Bond	9.5%	DM	1.827.8
Yield	7.875%	FFr	5.375
LONDON MONEY		Sfr	1.432
3-mo interbank	7.5% (7.5%)	Y	124.125
Life long gilt future	100 (100)	London	
Nov 1993	100 (100)	DM	1.827.8
NORTH SEA OIL (Argus)		FFr	5.375 (5.375)
Brent 15-day (Dec)	518.225 (19.45)	Sfr	1.432 (1.4305)
Gold		Y	124.1 (124.0)
New York: Gold (Nov)	333.2 (331.7)	\$ index	85.1 (85.0)
London	333.25 (332.15)	Tokyo close	Y 124.13

Austria	Sc300	Greece	Dr250	Lux	UF60	Qatar	QR12.00
Bahrain	Dh1.250	Hungary	F182	Malta	Lm0.00	S.Arabia	Sr11
Belgium	Bfr60	Ireland	Ir100	Morocco	Mdh15	Singapore	S\$4.10
Belarus	Lv25	India	Rs20	Neth	F1.35	Spain	Ptas20
Cyprus	Ct1.00	Indonesia	Rp100	Nigeria	Nair20	Sweden	Skr14
Czech	Kc205	Israel	Sh1.50	Norway	Nkr15.00	Switz	Sfr3.00
Denmark	Dkr14	Italy	Lt200	Oman	QR1.50	Syria	SyP60.00
Egypt	E£2.50	Jordan	Jd1.50	Pakistan	Pak50	Thailand	Thb50
Finland	Fmk12	Korea	Won200	Philippines	Php50	Tunisia	Dt1.250
France	FFr60	Kuwait	Kd1.00	Poland	Zl22.000	Turkey	Lira100
Germany	Dm30	Lebanon	US\$1.25	Portugal	E\$150	UAE	Dh10.00

OECD blames cartels for high Swiss prices

By Ian Rodger in Zurich

EVERY visitor to Switzerland winces at its extraordinarily high prices for everything from a cup of coffee to a hotel room to a train ride. Blame it on cartels, says the Organisation for Economic Co-operation and Development.

Investment are 30 per cent higher. In a special study within its annual examination of the Swiss economy, the OECD attributes these huge discrepancies to the pervasive presence of cartels and other devices for limiting free competition in Swiss markets. Cartels are said to exist in 90 per cent of 72 industrial activities, usually involving price-fixing and/or market sharing agreements. Concentration is also high in several segments of the wholesale trade, and the market

share of the five largest retail traders is nearly 80 per cent, "more than in any other European country", says the OECD. The OECD observes that although most Swiss companies tend to be small to medium sized, concentration is high in most business sectors. "Oligopolistic structures have been established in several industries, like tobacco, leather and footwear, chemicals, electrical and electronic equipment, food processing, textile, paper, machines and vehicles".

The strength and persistence of collusive practices may seem paradoxical, given the openness of the country's trade frontiers. By 1985, the share of manufactured imports in the domestic market was 42 per cent, well above the OECD average. But the role of imports in enforcing competitive discipline is undermined because most importers participate in the highly lucrative domestic distribution cartels.

Other factors are the highly protected status of food products and the fact that non-tradeable services represent a predominant share in the Swiss economy, 48 per cent of private sector gross domestic product, if construction is included. Many Swiss laws and regulations contribute to restraint of trade. Laws permit Swiss companies to protect themselves from takeovers by hostile or foreign interests, and the report shows that Swiss companies tend to maintain their market positions for an extraordinarily long time. Arcane norms and technical

standards, business regulations and blatantly protectionist procurement policies, especially by cantonal governments, all keep out competitors, the OECD says. Swiss authorities charge twice as much as those in neighbouring countries to approve imported telephone sets. Swiss retailers are prohibited from using many sales promotion tactics that are common practice elsewhere. As a result, the OECD esti-

Continued on Page 18
OECD report, Page 2

Lamont unveils plan to stimulate UK economy

By Peter Norman and Philip Stephens in London

MR NORMAN LAMONT, Britain's chancellor of the exchequer, yesterday unveiled plans to stimulate the UK economy out of recession by reducing interest rates and encouraging investment and construction.

Rates cut 1 point to 7% and measures introduced to encourage investment

- Unemployment figures Page 6
- Details, analysis Pages 7-9
- Editorial Comment Page 9
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- Joe Rogaly Page 9
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- Currencies Page 40
- London equities Page 33

cost of a family car by about £400. The measure will be financed by higher motoring taxes next year.

In London and the rail link to the Channel Tunnel. The government would "actively encourage" joint ventures with the private sector and allow greater use of leasing which offers good value for money, Mr Lamont said. British Rail, for example, will be allowed to lease £150m of new rolling stock in the next three years in a move that will develop the leasing market for rolling stock and so aid plans for privatisation of the state-owned railway.

The package received an enthusiastic reception from rank-and-file Conservative MPs, raising the government's hopes that it may at last have a chance to draw a line under the political turmoil of the last two months. Mr John Major, the prime minister, sought to capitalise on the favourable reaction by telling restless MPs on the right of his party that he was determined to focus the government's efforts on boosting economic growth.

At a dinner last night, he told a group of MPs which had ranked-and-file criticism of his strategy that achieving recovery was now "number one priority". Opposition parties, however, dismissed the autumn statement as a timid response to the recession and warned that the promise to squeeze on public spending was likely to drive the economy further into slump.

His autumn economic statement fulfilled the Conservative government's promise of keeping public spending for 1993-94 within its target of £344.5bn (\$370bn) largely through limiting public sector pay settlements to a maximum of 1.5 per cent. At the centre of a new "strategy for growth" was a package of time-limited measures to boost business confidence and activity. The government expects them to inject an estimated £1bn into the UK economy over the rest of the current financial year.

Because of the recession, government borrowing is now expected to total £57bn in 1992-93, compared with £28bn estimated in the budget announced in March. Treasury figures suggest the public sector borrowing requirement could rise to about £44bn in 1993-94.

With the Treasury forecasting a 1 per cent contraction in gross domestic product this year, Mr Lamont announced a 1 percentage point cut in interest rates from today. These rates will be cut by 1 point 7 per cent.

The public pay freeze will allow the government to shift an estimated £1.5bn from current to capital spending projects next year. Mr Lamont said the extension of the London underground railway's Jubilee Line to the city's docklands will go ahead, subject to completion of negotiations with the administrators of the Canary Wharf development, its bankers and London Transport.

The government also announced a relaxation of Treasury rules that could allow private finance to play a bigger part in infrastructure projects such as the East-West Cross Rail project

There was private acknowledgement among ministers that the success of the package - and the government's political fortunes - now depended critically

The FT-SE 100 index closed at 2,785.4, showing a net gain of 99.9. The projected figures for

public sector borrowing caused a sharp drop in the price of government securities. Long-dated gilts ended the day as much as a ¼ percentage point lower.

Symptomatic of a more activist approach to tackling the recession, Mr Lamont unveiled a package of six fiscal measures to bring rapid support to hard-hit sectors.

The Treasury expects a sluggish upturn in consumer spending to be the main spur to growth and to have only limited success reversing the decline of fixed investment in recent years.

The Treasury expects inflation, as measured by the retail price index, to hold just within its 1 to 4 per cent target this year and next. Its forecast sees this so-called underlying inflation rising by 3.75 per cent in 12 months to the end of 1993. Imports will rise slightly faster than exports, lifting Britain's current account payments deficit to £15.5bn in 1992 from £18bn this year.

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The UK rate cut had been accurately priced into foreign exchange dealing earlier in the week, and the pound barely moved against either the D-Mark or the dollar in its wake.

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● Provide an extra £700m of export credit cover for exporters.

● Increase, for 12 months only, the allowances for investment in plant and machinery, excluding cars, from 25 per cent to 40 per cent. The government will also introduce a 20 per cent allowance for spending on industrial and agricultural buildings ordered before October 31 1993.

● Abolish a tax on the sale of new cars from today, cutting the

Continued on Page 18

Japanese managers to take pay in product vouchers

By Robert Thomson in Tokyo

ABOUT 6,500 managers at NEC, the Japanese electronics company, are to make an important contribution to its sagging sales figures by taking part of their pay in vouchers which can be swapped for an NEC home computer or television set.

There is an honourable tradition of Japanese workers taking pay in corporate kind. Staff at Matsushita Electric set the standard in pre-war days by accepting light bulbs instead of yen when times were tough.

With times tough again, NEC and Sanyo Electric, another electronics manufacturer, are asking managers to take part of their year-end bonuses, an important component of the Japanese salary, in product vouchers worth between ¥100,000 (\$800) and ¥300,000 (\$2,400).

When such vouchers were last issued, by Matsushita and Mitsubishi Electric in the middle of the

yen appreciation crisis six years ago, a small secondary market quickly developed. Matsushita managers' homes usually are already well stocked with their employer's products, so the vouchers were sold at a discount to friends or given to relatives.

This year, NEC employees at or above the level of section chief must take at least part of their bonus in vouchers. Ordinary workers will receive a 0.08 per cent increase on last year's final bonus, which was equivalent to about 2 ½ months' salary.

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The idea of the 0.08 per cent increase was to improve morale among the workers. If bonuses were to fall, it would seem that we have real problems, but things are not that serious," an NEC official said.

Sanyo has asked senior managers to take a 10 per cent bonus cut and accept another 10 per cent in products such as rice cookers or vacuum cleaners. Other companies, including

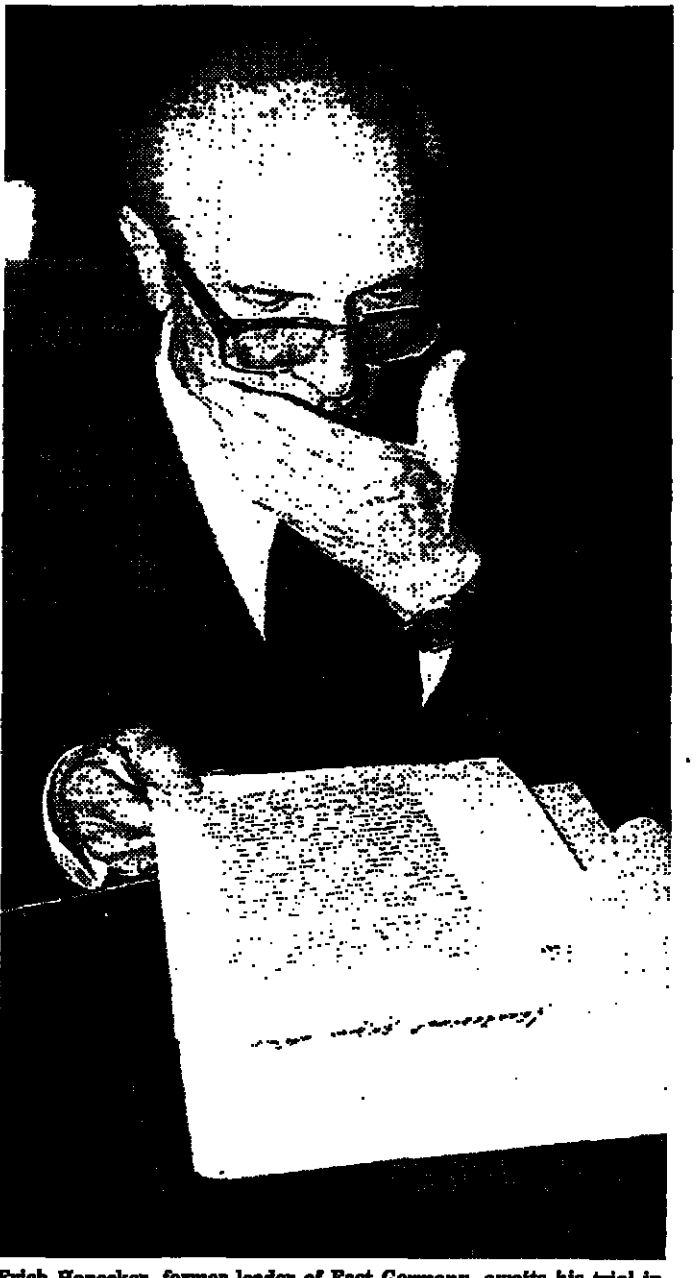
Hitachi, have cut executive pay by between 10 and 20 per cent and curbed the corporate contribution to their karaoke and golf habits.

Electronics manufacturers are having a difficult year. First-half profits were down by 73 per cent at Matsushita Electric, 71 per cent at NEC and 51 per cent at Matsushita. Sanyo is expected to report a loss in its financial year which ends on November 30.

The Ministry of Finance made another gesture this week to enable employees to make a humble contribution to the corporate good by relaxing controls on share ownership programmes, usually "clubs" with compulsory membership and, lately, diminishing returns on the investment.

It is common for companies to expect workers to devote 5 per cent or more of their salaries to stock purchases. Under the new law, companies can raise the percentage at will to prop up prices in a falling Tokyo stock market.

Continued on Page 18



Erich Honecker, former leader of East Germany, awaits his trial in Berlin for the manslaughter of 13 would-be escapees

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NEWS: INTERNATIONAL

OECD complains of confusion in financial markets over central bank practices

Swiss monetary policy under fire

By Ian Rodger in Geneva

SWISS monetary policy has been sharply criticised by the Organisation for Economic Co-operation and Development. The OECD suggests in its annual examination of Switzerland that the current policy of the Swiss National Bank (SNB) leads to confusion in financial markets about exchange rate and monetary policy objectives and may be an unreliable way of achieving the central bank's economic objectives.

"It would therefore seem desirable to enhance the transparency of monetary policy in the short run, beyond the current practice of announcing quarterly projections of the monetary base (notes in circulation and sight deposits held

at the central bank)," the OECD says.

It recalls that the monetary base became a misleading indicator in the late 1980s after Switzerland had introduced an electronic clearing system. The SNB then abandoned annual targeting in favour of medium term targeting.

The new system has severe drawbacks, according to the OECD. "One problem is the absence of reliable evidence that the envisaged expansion of base money over the medium term will be compatible with sustained growth of output under conditions of stable prices. Moreover, it is unclear to what extent there is scope for the SNB's intention to take exchange rate considerations into account."

The OECD says M1 might be a more satisfactory intermediate monetary aggregate to use as a target. It also appears to favour the controversial idea of pegging the Swiss franc to the Ecu or the D-mark. It acknowledges that this would entail the loss of monetary policy autonomy which in the past may have allowed Swiss interest rates to be lower than those elsewhere. "But, given the prospects of greater integration with the rest of Europe, it is uncertain whether this interest differential can be safeguarded in the future."

The OECD also attacks government tolerance of widespread cartels and other practices that restrain free competition. It suggests that these practices are largely

responsible for the excessively high prices of almost everything in the country. "According to purchasing power parity calculations, the overall domestic price level in Switzerland is 40 per cent higher than the average for the whole OECD area for private consumption," it states.

The report acknowledges that Swiss competition policy is becoming tougher, and that it will become tougher still if the Swiss ratify the European Economic Area (EEA) treaty in a referendum next month. The country would then be obliged to take on European Community competition law in most business activities.

However, a comprehensive reform of Swiss law and policy is still needed to enshrine the

notion that collusive agreements should be banned in principle and to insist on transparency in the execution of competition policy.

The report says that the prospects for improvement of the Swiss economy, which has suffered from a nasty combination of recession, high inflation and deteriorating public finances for nearly two years, are now good.

It forecasts 1.1 per cent real growth for the economy next year after a meagre 0.2 per cent this year, triggered mainly by continued strength in foreign demand. Private consumption will also benefit from the adjustment of contractual wages to past price inflation, it says.

Sweden erects banking defences

Christopher Brown-Humes reviews a package of support measures

SWEDEN has reacted to its banking crisis in a similar fashion to September's currency crisis. Last week's package of support measures for its ailing financial sector indicate that it will defend the banking system whatever the size of the bill.

Two months ago, in a similar display of resolution, Sweden made it clear that it would defend the krona against currency speculators at any cost - even 500 per cent overnight interest rates.

The promise of unlimited assistance is meant to send a clear signal to the international banking community that Sweden will do whatever it takes to ensure the obligations of its financial sector are met. It has not quantified the amounts, but the cost will certainly run to billions of kronor.

Credit losses across the financial sector have already reached SKr100bn for 1990-1992 and could well total as much again over the next few years.

The assistance package will inevitably worsen the budget deficit, increasing the likelihood of further government austerity measures, in addition to the two crisis packages announced in September.

It is, of course, something of an embarrassment for the country's centre-right coalition, which has espoused free-market principles, to have to mount such a bail-out. Sweden, with its broadly-based economy and conservatively man-

aged banking sector, had expected to avoid the sort of bank rescue packages that the governments in both Norway and Finland have been forced to undertake.

Events this year have proved otherwise. Sweden has already had to come to the aid of three of its beleaguered financial

The Swedish economy should start picking up in the middle of next year, although the recovery will be slow and sluggish, according to a new analysis from Gota Bank, writes Christopher Brown-Humes in Stockholm.

The bank says the turnaround will be led by exports, spreading to other parts of the economy during 1994.

The pace of recovery will not be enough to prevent a third successive year of falling GNP and Gota Bank warns that GNP will fall by 2.1 per cent next year, compared with a decline of just 0.8 per cent this year.

There will also be a sharp increase in unemployment in the next two years, according to the bank. It believes the unemployment level next year will increase to 7 per cent from 5 per cent in 1992, before increasing further to 7.5 per cent in 1994.

Institutions, including Nordbanken and Gota Bank, two of the country's largest banks.

Such developments have clearly shaken confidence in the system, prompting the government to make its support more explicit. Hence, the hurried fashion in which it has put together its support programme over the last two months.

The result is that from early next year a special authority, directly answerable to the government, will be set up to administer assistance to both banks and state-affiliated credit institutions.

Generally, the support will

be in the form of loans and guarantees, but a key aim is to have flexibility and the government does not rule out taking over bad debts and making direct equity injections in specific instances.

Essentially, the authority's role will be to nurse back to health institutions capable of

The key consideration was to soothe the fears of the international financial community about the solidity of the Swedish banking system - and in that at least, the unveiling of the scheme appears to have been successful.

That is the positive aspect. The negative aspect is that, as yet, there is still no sign that the worst of the problems in the banking sector are over. "1993 will be another very difficult year for the banking system," says Mr Christer Bergquist, who will be the new authority's director general.

There may be an improvement in some areas, such as real estate next year, but as the economy will still be mired in recession, bankruptcies and problems in the household sector mean credit losses will continue at high levels.

It is as well that the government has put no time limit on its assistance package for the signs are that it will need to be in place for quite a few years to come.

New twist in EC saga on tobacco adverts

By Andrew Hill in Brussels

EC countries which have a national ban on tobacco advertising could block imports from other EC members of magazines and newspapers carrying such advertisements, the Commission said yesterday.

The warning came ahead of today's meeting of health ministers at which Commission proposals for an EC-wide ban on tobacco advertising will be discussed for the first time since May.

But a spokesman for Ms Vasso Papandreou, the EC health commissioner, conceded yesterday that Britain, the Netherlands and Germany had not relaxed their opposition to a ban since May. Together, the three can block approval of the Commission's proposal and no vote is expected today.

The draft directive, which covers advertising, except at point of sale, and sponsorship, is partly intended to prevent national restrictions from hampering the free movement of magazines and journals after January 1, 1993. But advertising agencies, publishers, cigarette manufacturers and the three member states dispute the value and legality of a ban. Denmark and Greece also have reservations.

In a legal opinion for the German Association of Newspaper and Magazine Publishers, two senior European lawyers this week said the draft directive proposing a ban was "masquerading as a measure designed to ensure the completion of the internal market" and represented "a blatant invasion of the Community into the public health sector."

Yet cigarette manufacturers are still concerned if they relax their vicious campaign, the opposition to a ban might crumble. Five countries have instituted or intend to impose legal restrictions on tobacco advertising. It is unclear whether on health grounds those national restrictions would override EC legislation on the free movement of goods after the single market comes into force on January 1.



Cavallo: unsure that his reforms are unravelling

Cavallo refuses to be blown off reform path

John Barham interviews the Argentine economy minister

ARGENTINA'S financial markets have been beset by an atmosphere of crisis this week. Persistent rumours of Mr Domingo Cavallo, the economy minister, have combined with a widespread belief that the government's commitment to economic reform is wavering and a growing unease over the worsening balance of trade.

For the first time since March 1991, the foreign exchange markets pushed the US dollar above its maximum official rate of one peso to close at 1,004 pesos on Wednesday. This week the Central Bank had to sell \$108.4m in hard currency, equivalent to 1.6 per cent of its reserves, to support the peso. Argentina has seen a \$111.2m net capital outflow so far this month, while prices on the stock exchange have fallen 13.3 per cent.

Yesterday, markets were calmer, with share prices rising 1 per cent at lunchtime. But sustained demand kept the dollar slightly above its parity with the peso, despite a 5 per cent point rise in interest rates to 28-30 per cent a year.

In the midst of these anxieties, Mr Cavallo reaffirmed in an interview with the Financial Times his unwavering

commitment to economic orthodoxy, saying he had "the full support of President Carlos Menem and of the people."

He dismissed fears that Mr Menem's political agenda was interfering with the advance of reform: "President Menem knows that the first sign of populism will lead to a reversion of expectations, capital outflows and inflation, at a phenomenal political cost."

Mr Cavallo said that while the economy was unlikely to be a winning factor in the 1993 mid-term congressional elections, as it was in 1991, "we will lose the elections totally if we weaken and respond to demands of populism."

He recognised that the elections, scheduled for next September, required him to win Congressional approval for two key reform laws by May, after which "the electoral climate will make it difficult" for the laws to clear Congress.

Union pressure has blocked passage of bills reforming the social security system and the labour market, both of which are seen as necessary to improve the economy's efficiency. Mr Cavallo said the

government was "working hard" to win approval for these bills, and the stalled 1993 budget.

Unease that his reforms are unravelling became acute after Mr Cavallo raised import barriers last month and admitted that Argentina would have a trade deficit in 1992 for the first time in 11 years. But he insisted that the protectionist measures were temporary, while permanent reforms of the tax and tariff structure, announced at the same time, would increase exports and investment.

A key objective, he admitted, was to slow imports from Brazil - Argentina's partner in the nascent Mercosur common market - which were rising 5-6 per cent a month. This was an "external shock" that had to be neutralised, he said. Argentina's trade deficit with Brazil hit \$900m in August.

Mr Cavallo said that while he maintains his original "political enthusiasm" for integration with Brazil, instability there meant the pace of integration had to slow. This did not mean "that I am thinking of leaving Mercosur and applying to join Nafta; what I say is that all countries must have their options open."

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Ecu8bn loan to Italy under review

By George Graham in Washington

THE European Community's Monetary Committee will vet the terms of an Ecu8bn (\$8.9bn) loan to Italy when it meets next week, Reuter reports from Brussels.

The Committee will examine a proposal from the European Commission that the balance of payments loan to prop up Italy's economy should be split into four equal parts spread over three years, EC sources said.

At present the conditions attached to the loan concentrate mainly on periodic reviews of the progress of Italy's budgetary programme, but the Monetary Committee can suggest further conditions if it deems it necessary.

If, as expected, the Monetary Committee approves the loan, it will go to the November 23 meeting of EC finance ministers for their final decision.

When Italy applied for the loan in early October it implied that approval would help speed re-entry of the lira to the exchange rate mechanism which it left under intense speculative pressure in mid-September.

At the time Prime Minister Giuliano Amato said approval of the loan was likely to be conditional on the government pushing through a 1993 budget which sets a target of L82,000bn (\$68.5bn) in savings.

Clinton aides in defence review

By George Graham in Washington

AIDES to Governor Bill Clinton are considering ways of restructuring the US defence establishment to make it readier to engage in multilateral military action.

Defence analysts close to the president-elect and his advisers say they are concerned about the current Pentagon stance on the use of military force in conflicts around the world.

Most senior officers basically seek to rule out US military intervention except in the rarest of cases where they can see an immediate military goal that can be quickly achieved by the use of overwhelming force.

Democrats in Congress, led by Congressman Les Aspin, chairman of the House of Representatives armed services committee, have already opened a debate over the use of force.

Mr Aspin argues that what he calls the "all-or-nothing school," which fears a repetition of the US's unhappy experiences in Vietnam and Beirut if US forces are used in all but the most carefully defined of circumstances, has been weakened because the collapse of the Soviet Union removes some of the threat that small conflicts could escalate into

greater wars. He also warns that the American people may not be willing to pay \$250bn or \$300bn a year for a military that is not very useful.

"It may be that to maintain a military for the extreme contingencies it will be necessary to show that it is useful in lesser contingencies, too," he said in a recent speech.

Governor Clinton promised, in a Veterans Day speech on Wednesday, to maintain "the strongest and most appropriate defence forces" with advanced technology emphasising air and sea mobility.

But the US media's attention is currently focused on an aspect of Mr Clinton's defence policy that is of less than burning interest to the US's allies: the question of whether homosexual men and women may be allowed to remain in the armed services.

Mr Clinton repeated on Wednesday his pledge to lift the current ban - which has recently been successfully challenged in federal court - after discussions with senior military officers who are unhappy at the proposed policy change.

"I think there are ways we can deal with this that will increase the comfort level of a lot of the military folks here," he said.

Nato, WEU to liaise efforts

MR Manfred Wörner, Nato secretary-general, yesterday said there was no serious rivalry between the Atlantic alliance and the Western European Union (WEU). Reuter reports from Bonn.

He agreed with WEU secretary-general Willem van Beekelen that both organisations had to co-ordinate their work to avoid duplicating efforts.

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مركز الصحافة

NEWS: INTERNATIONAL

Germany will help Croatia house refugees

By Judy Dempsey in Bonn

GERMANY is to help build houses for some of the half a million Yugoslav refugees waiting in Croatia, foreign ministry officials said yesterday. Bonn's action has been prompted by its increasing frustration at the unwillingness of its European Community partners to take more refugees from Bosnia-Herzegovina.

At the same time, Germany will ask EC countries to take part of another group, some 7,500 Bosnian refugees who are either being held in detention camps in Bosnia-Herzegovina, or who have been given temporary, but poor, shelter in Croatia.

In what appears to be a dual strategy aimed at relieving the burden on Croatia, which is refusing to accept any more refugees from Bosnia, and at slowing the influx into Germany, Bonn will spend DM70m (£32m) on building houses in Croatia. It will also send 300 train wagons to Croatia, to act as temporary shelter for the refugees. "We will provide the heating and all the running costs," an official said.

Germany has been at the forefront of EC countries in accepting refugees fleeing the war in the former Yugoslavia. Since last January, nearly 100,000 people from the region have settled in Germany, bringing the total to 200,000 since the war started in June 1991.

But the additional influx of would-be asylum seekers from Romania, Bulgaria, and from some of the republics of the former Soviet Union means that Germany will be hard-pressed to take any greater numbers from Bosnia.

Mr Klaus Kinkel, foreign minister, earlier this week asked the British government to take Bosnian refugees, but officials said the response from

ANY GERMAN soldiers involved in attacks against foreigners or spreading racist propaganda will be immediately prosecuted or disciplined, Mr Volker Rühe, defence minister, warned yesterday, Judy Dempsey writes from Bonn.

His statement followed an internal report that 24 conscripts had taken part in attacks against foreign citizens living in Germany. Three of the soldiers are being tried for manslaughter.

Last month, General Helge Hansen, an army commander, wrote to fellow senior officers instructing them to be more vigilant in snuffing out right-wing extremism in the ranks.

EC states had been very slow. "We have to step up the process in allowing the refugees fleeing the war in Bosnia-Herzegovina to settle in other countries," one official said. "We have held talks with the United Nations High Commissioner for Refugees and we know that the situation is becoming really desperate, especially now that the winter is coming," he added.

Of the group of 7,500 Bosnian refugees, about 6,000 are still detained in Serb-controlled camps in Bosnia. Although they are free to move out, they cannot return to Bosnia because their homes have been destroyed, and they cannot travel abroad because Croatia is no longer taking refugees, and EC countries have been unwilling to open their doors to them.

A further 1,500 are living in poor conditions in Croatia. German officials yesterday said these people would die of cold and starvation, pointing out that Bonn had agreed to take at least 1,000 of them. This may swell to 3,000 when families are taken into account.

Three big Russian plants to be sold in next two weeks

By John Lloyd in Moscow

THE RUSSIAN government is to auction off three large industrial plants, among them a large tractor factory near Moscow, in the next two weeks in order to raise the profile of the privatisation programme before the opening of the Congress of People's Deputies on December 1.

The Congress is expected to be highly critical of the government's economic programme, and to demand its resignation. However, Mr Anatoly Chubais, deputy prime minister in charge of privatisation, believes that both managers and the public support the privatisation and that a successful public offering of shares in big enterprises will deflect expected attacks from both moderate and hard-line opponents of the programme.

The three enterprises are being offered for privatisation by their managers, by officials from the state privatisation committee, and by foreign experts. They will be the first parts of Russia's industrial sec-

tor to pass from state to private ownership.

The auctions, which have been the subject of intense discussion and debate over the past few weeks, will be limited to Russians.

The government has raised to 80 per cent the percentage of the enterprises which must be sold for privatisation vouchers which are being issued to the whole population. Cash will account for the remainder. The decree will encourage citizens to retain their vouchers, each of which has a face value of Rb10,000. President Boris Yeltsin ordered the percentage increase in order to endow the vouchers with greater value.

One effect of this is that foreigners wishing to take part in later privatisations will have to acquire large numbers of vouchers, in which a secondary market has already developed.

Russia yesterday froze its decision to pull out troops from around the southern rebel republic of Chechnya, saying the region had broken an agreement on their withdrawal, Reuters reports.

Ukraine coupon replaces rouble

By Alexander Tkachenko in Kiev and John Lloyd in Moscow

UKRAINE said yesterday it was abandoning the rouble at midnight last night, replacing it with coupons as a stepping stone to introducing a new currency.

Mr Leonid Kravchuk, the republic's president, announced that "the rouble should cease to circulate in Ukraine" from midnight and that it would cease to be legal tender in Ukraine. A new currency coupon, called the karbovanets, will be introduced for all transactions from today.

A government order said accounts in Ukrainian banks would be transferred from roubles to karbovanets coupons.

Holders of roubles were ordered to exchange them for karbovanets within three days in unlimited quantities at an exchange rate of one karbovanets coupon per rouble.

Ukraine announced soon

after the collapse of the Soviet Union last year that it would leave the "rouble zone." It introduced coupons early this year, but the rouble stayed legal tender for accounting.

The move to the karbovanets appears to be a half-way house between the rouble and a new Ukrainian currency, to be called the grivna. Mr Leonid Kravchuk, the new Ukrainian prime minister, said on television this week that introduction of the grivna would have to wait for the establishment of a stabilisation fund, and for economic reform.

The karbovanets represents a step back for the Ukrainian leadership, which had until recently talked of the imminent introduction of a full-blooded independent currency. Since his appointment Mr Kravchuk has taken a sharply different line from Mr Kravchuk in calling for closer co-operation with Russia and has repeatedly called attention to Ukraine's weakening economy.

Greece seeks to allay international concern about its intentions

Balkan pledge on Macedonia

By Karin Hope in Athens and Judy Dempsey in Bonn

GREECE has sought to allay international concern about its intentions towards Macedonia by winning support from other Balkan countries for a declaration that the former Yugoslav republic's borders are inviolable. Separately worded announcements by Serbia, Bulgaria and Albania backed a declaration by Greece designed to rebutt Macedonia's claims that its territory is under threat from its neighbours.

Athens is refusing to recognise Macedonia under that name, but it has distanced itself from its traditional ally,

Serbia, since Mr Constantine Mitsotakis, the Greek prime minister, rejected a proposal last spring from President Slobodan Milosevic that their countries divide Macedonia.

Mr Mitsotakis stresses that once the problem of the name is resolved, Greece will promote investment and economic co-operation with the republic.

Greece appears torn between wanting to live up to its responsibilities as the only member of the EC and Nato in the Balkans, by playing a peacekeeper's role, and its fears of being out-manoeuvred by one of its neighbours.

The government is well aware that any Greek military

initiative in the region would open the way for Turkey to intervene on behalf of the ethnic Turkish minority living in northeastern Greece.

The most persistent Greek worry is that if conflict broke out in Kosovo or Macedonia, it would be impossible to prevent several hundred thousand refugees flooding across the border into northern Greece.

However, the government shows no sign of yielding to pressure from other EC members to drop its objections to recognising Macedonia. Mr Mitsotakis appears ready to compromise but is under pressure from both his conservative New Democracy party and

the opposition Socialists.

Germany and Britain are trying to seek a compromise between Skopje, the Macedonian capital, and Athens in the run-up to the EC's Edinburgh summit next month. Government officials in Bonn said yesterday that Skopje should amend its constitution to stress that it had no territorial ambitions; Greece has consistently argued that Macedonia has claims on parts of its northern territory where a Slav-speaking minority lives. The Bonn officials said Athens should accept that the word Macedonia should be used in the new name, but as an adjective not a noun.

Ceasefire brings relief to Sarajevo

By David White in Vitez, Bosnia

ISOLATED outbreaks of fighting were reported yesterday in Bosnia on the first day of the latest ceasefire agreed earlier this week between Serb, Croat and Muslim military representatives in Sarajevo. UN

officers, however, reported that up to nightfall the ceasefire appeared to be generally holding.

Incidents were reported at Travnik, 65 miles west of Sarajevo, and at Bihac in northwest Bosnia, where French troops in the UN's convoy protection operation are based.

Meanwhile, UN plans for escorting relief convoys in Bosnia risk being seriously set back by delays in deploying Canadian troops to the Serb stronghold of Banja Luka. It is feared that because of difficulties with local authorities,

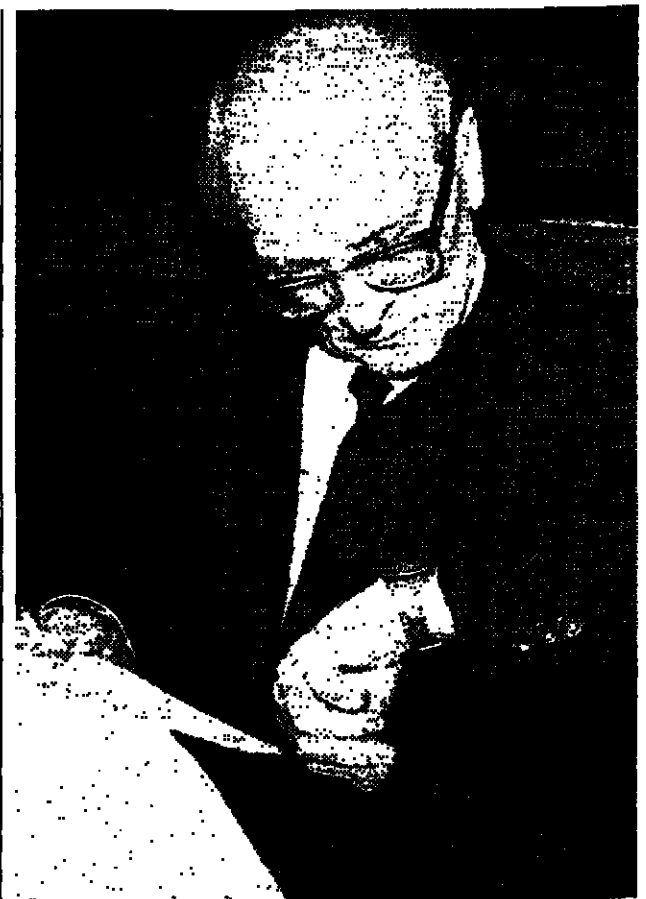
deployment may not be possible until February.

The mission is politically crucial since it is the only one of the UN operations in Bosnia specifically aimed at a Serb area. "We have got to be seen to be impartial," said Brig Roddy Corry-Stimson, chief of staff at the UN's Bosnia-Herzegovina command at Kiseljak near Sarajevo.

The Canadian mission is also crucial to opening up the route

from Zagreb to the centre of Bosnia-Herzegovina for humanitarian aid.

UK military planners are meanwhile switching their attention to securing passage through battle lines on main roads. Lt Col Bob Stewart, the British battalion commander, said the army had reached the conclusion that it would be nearly impossible to send sufficiently large amounts of aid along mountain roads.



MR ERICH HONECKER, the ailing 80-year-old former East German leader, checks his watch at the opening in Berlin of his trial and that of five senior aides on manslaughter charges arising from the fatal border shootings of East Germans trying to flee to the west, writes Leslie Collis. The proceedings barely began, however, when the trial was adjourned until next Monday because a co-defendant, Mr Willi Stoph, the 78-year-old ex-prime minister, was absent suffering from a heart ailment.

Notice to Customers National Savings Changes

SAVINGS CERTIFICATES

National Savings Certificates of the 39th Issue and 5th Index-linked Issue were withdrawn from sale on 12 November 1992.

The 40th Issue will go on sale for new purchases on 7 December 1992. It will offer a guaranteed and tax-free return of 5.75% pa compound when held for five years. The minimum purchase will be £100 and the maximum holding £5,000.

The 6th Index-linked Issue will go on sale for new purchases on 7 December 1992. It will offer a guaranteed and tax-free return of 3.25% pa compound on top of index-linking when held for five years. The minimum purchase will be £100* and the maximum holding £5,000.

From 13 November 1992 mature Savings Certificates (including Yearly Plan Certificates) can be reinvested into Reinvestment Certificates of the 40th Issue and 6th Index-linked Issue up to a maximum of £10,000 for each Issue. The minimum for a reinvestment is £25.

Reinvestment applications should be sent direct to National Savings Durham using form DNS 502 (available at post offices). A copy of the relevant prospectus will be sent with the new Certificates for applications received up to 7 December 1992.

From 7 December the prospectuses will be available at post offices.

New General Extension Rate

Beginning on 1 December 1992 the variable rate of interest for National Savings Certificates (including Yearly Plan Certificates) earning the General Extension Rate will be 3.75% pa tax-free.

YEARLY PLAN

The overall return on five-year Yearly Plan agreements is 5.75% pa compound, guaranteed and tax-free, for applications received from 13 November 1992.

CAPITAL BONDS

Series F Capital Bonds were withdrawn from sale on 12 November 1992.

Series G will go on sale on 7 December 1992. It will offer a gross return of 7.75% pa compound, guaranteed when held for five years.

FIRST OPTION BONDS

FIRST Option Bonds were withdrawn from sale on 12 November. New terms will be announced in due course.

CHILDREN'S BONUS BONDS

Issue D Children's Bonus Bonds were withdrawn from sale on 12 November 1992.

Issue E will go on sale on 7 December 1992. It will offer a guaranteed and tax-free return of 7.85% pa compound when held for the first five years.

INCOME BONDS

Beginning on 26 December 1992 the rate of interest payable on Income Bonds will go down from 8.0% pa gross to 7.0% pa.

(The same change will apply to Deposit Bonds — no longer on sale.)

INVESTMENT ACCOUNT

Beginning on 26 November 1992 the rate of interest earned on the Investment Account will go down from 7.25% pa gross to 6.25% pa.

From 1 February the minimum for each deposit into an Investment Account, including the amount required to open an account, will be increased from £5 to £20.*

ORDINARY ACCOUNT

Beginning on 1 January 1993 the higher rate of interest earned on the Ordinary Account will go down from 5.0% pa gross to 3.75% pa. There is no change to the standard rate of 2.5% pa.

From 1 February the minimum for each deposit into an Ordinary Account, including the amount required to open an account, will be increased from £5 to £10.*

PREMIUM BONDS

Beginning on 1 March 1993 the rate of interest used to calculate the Premium Bond prize fund will go down from 6.5% pa to 5% pa. The odds against any £1 bond unit winning a prize in each draw will change from 11,000-1 to 15,000-1.

From 1 February the minimum purchase by parents, guardians or grandparents for children under 16 will be increased from £10 to £100.*

* Subject to Parliamentary procedures.

NATIONAL SAVINGS

Issued by the Department for National Savings on behalf of the Treasury

NEWS: INTERNATIONAL

Japan's trade surplus rises to record \$10.9bn

By Charles Leadbeater
in Tokyo

A SURGE in Japanese car exports to Europe was one of the main forces behind a 51 per cent increase in Japan's customs cleared trade surplus in October to a record \$10.9bn (\$7.17bn), according to figures published yesterday by the finance ministry.

The higher-than-expected growth in the surplus was due to continued growth in exports, which were 9.2 per cent up on last year at \$31bn and a 5.1 per cent fall in imports to \$20.1bn, reflecting the slowdown in the Japanese economy.

The growth in the surplus to \$8bn for the first ten months of the year, already \$8bn more than the 1991 surplus, is likely to add to international pressure on the Japanese government to stimulate the economy to revive imports.

The surge in car exports to Europe, which was one of the main factors behind a \$2.8bn surplus with the EC, is likely to fuel protectionism among Europe's hard-pressed car producers, which are facing serious problems of over-capacity.

While Japanese car exports to Europe and Asia are rising rapidly, export growth to the US is minimal.

Vehicle exports to the EC were 25.6 per cent up on October last year at \$763m, while exports of car parts were 43 per

cent higher at \$166m. Vehicle exports to Asia were 50.7 per cent up at \$940m, with exports of motor-cycles up 107 per cent at \$91m.

In contrast automobile exports to the US rose by just 1.8 per cent to \$2.2bn.

Finance ministry officials believe most of the growth in the value of the overall surplus can be explained by a fall in import prices for commodities and a rise in export prices, in part reflecting the appreciation of the yen over the past year.

However, they are braced for the surplus to generate political pressure in the US for the incoming Clinton administration to take a tough line on trade.

The surplus with the US stood at \$4.9bn, with exports up 8.2 per cent from last year at \$9.3bn and imports down 8.1 per cent at \$4.37bn. Exports to the EC were 5.5 per cent up at \$5.3bn, with imports 9.3 per cent down at \$2.5bn.

China is one of the few countries to be increasing its imports into the depressed Japanese market. Imports from China rose by 10.7 per cent to \$1.7bn, while Japanese exports to China were 44 per cent up at \$1.16bn.

Raw material imports fell by 4.5 per cent to \$3.1bn, machinery and equipment imports were 13.3 per cent down at \$3.45bn and mineral fuel imports rose by just 0.2 per cent to \$4.42bn.

Farm trade talks set for next week

By David Gardner in Brussels
and Nancy Dunne
in Washington

EC and US negotiators are expected to try to settle their differences over farm trade and the Uruguay Round world trade reforms next Wednesday and Thursday in Washington.

Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, US secretary for agriculture, will resume the farm subsidy negotiations that came tantalisingly close to success in Chicago 10 days ago, while Mr Frans Andriessen, EC external affairs commissioner, and Mrs Carla Hills, US special trade representative, will try to tie up an agreement on other sectors covered by the round, ranging from intellectual property to financial services.

Hopes are high on both sides that this meeting will get the breakthrough on the EC-US oil-seeds dispute needed to conclude the six-year round, and avert the threat of a transatlantic trade war.

"We want to be flexible. We can do a deal within CAP (Common Agricultural Policy) reform," said Ms Carol Brookings, a Washington agriculture consultant familiar with the negotiations.

"But we didn't spend more than five years of money, time and energy to cut a deal for one year and then see what happens in the future."

The US intends to levy 200 per cent tariffs on \$300m of EC food exports from December 5, as sanctions for Community oilseeds subsidies which the General Agreement on Tariffs and Trade (GATT) has twice ruled against. The EC has chosen to emphasise continuing the negotiations but foreign ministers of the 12, meeting in



Ray MacSharry, the EC farm commissioner, is cornered by reporters on his way into EC headquarters for talks with Arthur Dunkel.

Brussels on Monday, left little doubt the Community would retaliate if the US sanctions went ahead.

GATT director-general Arthur Dunkel met Mr MacSharry and Mr Andriessen in Brussels yesterday, and is due to meet their US counterparts in Washington on Monday. Mr Dunkel warned that the row could sink any hope of the extension of

world-wide free trade promised by the Uruguay Round.

The Commission, which negotiates for the EC, assured Mr Dunkel it intended to make every effort to secure a deal. Evidence of Brussels' intent - after this week's conclusion of the bitter row between Mr MacSharry and Commission president Jacques Delors - is that the Commission has laid

plans for a special session to examine any deal for as early as next Friday.

Mr MacSharry, after his meeting with Mr Dunkel, told Reuters news agency that "I am optimistic... President Bush and President-elect Clinton have... said they want a GATT deal and the same goes for the Commission."

If a deal is not struck before the end of President Bush's term, there are fears that President Clinton would come to office with supporters urging different positions on a number of issues which could require years to re-negotiate.

Influential lobby groups would want to strengthen controversial US dumping laws and could take a different approach in the agriculture talks.

S Korea poll may break political mould

THE South Korean presidential election campaign formally launched yesterday with the setting of December 15 as the poll date, is the first in more than 30 years not to have a single candidate who has a military background.

Mr Kim Young-sam, the nominee of the ruling Democratic Liberal Party (DLP), is leading in the polls with 30 per cent, five to 10 percentage points ahead of Mr Kim Dae-jung of the main opposition Democratic Party.

Both men stood as opposition candidates in the 1987 election, the first after 16 years of military dictatorship, but lost to President Mr Roh Tae Woo, a former general who is constitutionally barred from serving again.

The candidacy of Mr Chung Ju-yung, the founder of the Hyundai business group, is another significant departure from past practice, since it is the first time that a businessman has stood for president. Mr Chung formed the United People's Party (UPP) to oppose bureaucratic controls on industry and the associated political corruption.

Mr Chung's challenge is unprecedented. Business has traditionally been subservient to the state, receiving corporate favours in return for political

UN report urges efforts to stop virus spreading so fast

Asia warned of high costs of Aids epidemic

By Shiraz Sidvha
in New Delhi

THE Aids epidemic sweeping Asia will wreak social and economic devastation if left unchecked, the United Nations Development Programme warned yesterday.

In a report released at an international conference in New Delhi on Aids in the Asia/Pacific region, it urged efforts at prevention to reduce the rate of spread of the HIV virus, which causes the disease, and the costs of the condition on society.

The seminar, sponsored by

the UNDP, the World Health Organisation and the Indian government, concluded that Aids could seriously threaten the economic well-being of Asian nations, which by the year 2000 would account for 42 per cent of the world's projected 100m cases.

The UNDP urged policy-makers in Asia to focus on broader social, economic and political factors, such as endemic poverty, which contribute to the spread of the virus.

Endemic poverty facilitates the spread of the virus, and is often a cause for migration and family fragmentation. Current

research demonstrates that the epidemic appears to be a regressive disease, imposing relatively larger costs upon the poor than the rich.

The UNDP forecast that Aids would soon have a big impact on the work-place, especially in India and Thailand, where cases are growing at an alarming rate.

Productivity in transport, tourism, entertainment, mining and fishing are likely to be affected, as well as the armed forces and agriculture. Companies would suffer heavy losses in work days, trained manpower, recruitment costs,

and burdens on benefit schemes.

A separate economic study on Aids to be released by the UNDP next month shows that lost income because of people dying of Aids ranges from \$10,000 per case in India to over \$340,000 per case in South Korea. Medical care costs associated with detection and treatment of Aids range from \$1,100 per case in India to over \$4,000 per case in South Korea.

The study projects the cost of the epidemic in India, where 1m cases are projected by the year 2000, at \$11bn. Some sectors are particularly vulnerable,

such agricultural sector in Laos, the long-haul truckers in India and Thailand, and migrant contract workers in the Philippines.

The reports conclude that financial and economic costs will be difficult for developing countries to bear unless they develop a fuller understanding of the costs and consequences and allocate resources wisely to counter the epidemic.

Aids and Asia: A Development Crisis, UNDP. Economic Impact of Aids in Asia, UNDP (to be released in December).

NEWS IN BRIEF

German tourists attacked in Egypt

FIVE German tourists and two Egyptians were wounded yesterday when gunmen described by police as Moslem militants opened fire on their bus in Qena in the southern Nile valley, Reuter reports from Cairo.

It was the fourth serious attack on tourists since Moslem militants fighting an underground war with the government warned in September that tourists would not be safe in Qena province, site of some of Egypt's most famous Pharaonic temples and tombs.

An interior ministry statement blamed "extremist elements," the authorities' usual term for Moslem militants. It said five Germans, the Egyptian driver and an Egyptian passer-by had been injured.

The government has reacted vigorously to the spate of attacks on tourists, promising to fly helicopter patrols over tourist areas and vowing even tougher police measures against the militants.

This week it announced that all mosques would be put under state control and police rounded up 150 militants in the province of Assut, the province north of Qena and the main theatre of militant violence. Officials expect 4m tourists to visit Egypt in the year to July 1993, earning the country \$4bn.

El-Gama's el-Islamiya (the Islamic Group) has claimed responsibility for three previous attacks on tourists.

Dutch Maastricht vote

The lower house of the Dutch parliament was due last night to vote in favour of ratifying the Maastricht treaty by a large majority, Ronald van de Krol writes from Amsterdam.

The Christian Democrats and the Labour party, partners in the governing centre-left coalition, had said in advance that they would support the treaty, as did the main opposition party, the Liberals. Mr Frits Bolkestein, Liberal parliamentary leader, has said ratification was a "foregone conclusion." The treaty must still be approved by the upper house of the Dutch parliament, where it is also expected to win a big majority.

Reynolds warns on EC aid

Irish prime minister Albert Reynolds said yesterday that the European Community could not open negotiations with prospective new members until agreement is reached on additional aid for poorer EC countries, Reuter reports from Bonn.

Speaking after talks with Chancellor Helmut Kohl of Germany, he said that with Europe's highest unemployment rate, Ireland wanted agreement on increasing the EC's so-called structural funds and creating a new cohesion fund to help poorer members.

"Our position was that if they weren't dealt with we wouldn't be supporting enlargement," he told a news conference.

Mr Reynolds said that in order to get agreement at next month's EC summit in Edinburgh on opening membership negotiations, there had to be agreement on the so-called Delors II package on financial aid to poorer member states.

SA corruption accusations rise

South African president F.W. de Klerk's white government has reeled under renewed revelations of chaos and corruption in the black homelands that were cornerstones of apartheid, Reuter reports from Cape Town.

Former magistrate Burt Parsons said in a nine-volume report to de Klerk yesterday that white-led police in the KwaNdebele homeland believed their primary role was to prop up a black administration sympathetic to Pretoria. Exposing apartheid excesses including the murder and detention without trial of children as young as 11, Mr Parsons said: "The evidence points to serious, even extremely serious, offences by police officers."

Bonn, Sofia repatriation accord

Germany will pay Bulgaria to repatriate thousands of its nationals as refused political asylum here, Reuter reports from Bonn.

German interior minister Rudolf Seiters and Bulgarian deputy social affairs minister Jordan Christov signed an agreement committing cash-strapped Sofia to take back disqualified asylum-seekers with German financial aid of DM28m (\$17.7m) over the next five years.

Similar agreements signed with Poland and Romania have been criticised for appearing to legitimise demands of rightist groups for mass deportations of asylum-seekers.

Bolivia and Peru in trade accord

Bolivia and Peru have signed a free trade agreement, Chris Phillips reports from La Paz. The treaty marks the tentative first step in Peru's attempts to restore trading links with its neighbours since it dropped out of the Andean trade pact in July.

Tariffs on some 6,000 products are to be axed. However, as a concession to the Peruvian agricultural sector, tariffs of 8 per cent will be maintained on soya and sunflower oil.

Kenya opposition wins more time for poll nominations

By Julian O'zanne in Nairobi

KENYA's electoral timetable was thrown into confusion yesterday after the High Court granted an opposition request for more time for nominating parliamentary candidates and criticised the government's attempt to curtail the process.

The main opposition party, Ford-Kenya, which made the request, immediately seized on the court ruling as a victory for the opposition in attempts to ensure that Kenya's first multi-party elections in 26 years, due on December 7, are not hurried or manipulated by the government.

The opposition has consistently maintained that the government of President Daniel arap Moi is trying to sway the electoral process in its favour and exploit a divided and ill-prepared opposition.

The High Court's decision overturned the government's attempt to shorten the legal period for nomination of candidates from 21 days to 10 days from the date of the announcement of the polls, which was to have expired today.

Attempts by the opposition to meet the

10-day deadline have been disorganised and marred by violence.

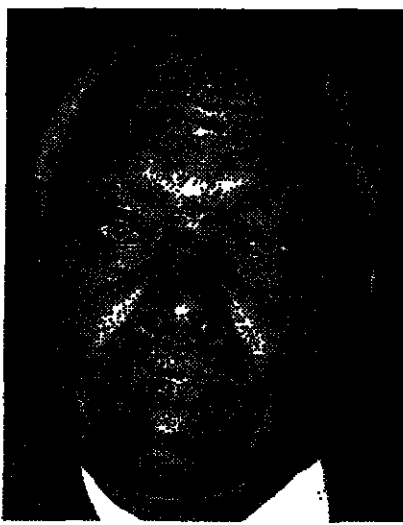
Justice Thomas Mbatia said that Mr Amos Wako, the attorney-general, had acted illegally in amending the constitutional provisions for nomination of candidates without parliamentary approval.

Diplomats and political analysts in Nairobi said that in the light of the ruling it was now unclear if the December 7 date for the polls could be observed.

Mr Wako said the government would not appeal against the decision and Mr Justice Chesoni, the chairman of the National Electoral Commission, said he would announce a new timetable for nomination of parliamentary and presidential candidates.

Since Mr Moi legalised multi-party politics a year ago he has continued to keep the opposition and the country in the dark about the government's electoral plans. Before last week's announcement of the polls he described the revelation of the date as his "secret weapon".

Mr Jaramogi Oginga Odinga, presiden-



Moi: kept opposition in the dark

tial candidate of Ford-Kenya, said yesterday the High Court decision had exposed the government's "mischief" and destroyed Mr Moi's secret weapon. Mr Odinga called on Mr Chesoni immediately to gazette the polling stations, publish the names of all returning officers and their deputies and consult the opposition further on the organisation of the elections.

Unita troops close in

TROOPS belonging to Mr Savimbi, leader of the opposition Unita movement, were yesterday reported closing in on a key southern city, AP reports from Luanda.

Government military officials said the soldiers of the National Union for the Total Independence of Angola (Unita) were marching on the port of Benguela, some 500km south of Luanda.

Government military officials fear Mr Savimbi's strategy is to cut Angola along the 1,300km Benguela railroad and take the southern half. The railroad starts at Benguela harbour and passes through Huambo, Angola's second city and the Unita leader's stronghold, Cuito and Lunda.

Unita forces were also reported to be pressing in on the north around the oil-producing town of Soyo. One of the captured provincial capitals is Caxito, only 60km northeast of Luanda.

Mr Savimbi told Portugal's Radio Nova: "I guarantee to the United Nations my will that there should be no more war. But if I am provoked, I have the capacity to fight for 10 more years."

Mr Savimbi's fighting comments came as Mr Marrack Gouling the UN peacekeeping chief, prepared to leave Angola after a mission to preserve accords that ended 16 years of civil war which shattered this once-prosperous former Portuguese colony.

China condemns Hong Kong politicians

By Simon Holberton
in Hong Kong

CHINA yesterday hit out at Hong Kong's local politicians for supporting proposals made by Mr Chris Patten, the colony's governor, for more democracy - but won little favour for itself in the process.

Xinhua News Agency, Beijing's unofficial embassy in Hong Kong, said the Legislative Council (LegCo) had no right to approve a resolution which ran counter to agree-

ments and understandings reached between China and Britain. LegCo was a "consultative body" only, it said.

Xinhua further alleged that the vote in LegCo on Wednesday was carried out under pressure from the Hong Kong government - a charge strenuously denied by the government.

On Wednesday night, legislators voted 22 to 21 in favour of a motion supporting Mr Patten's proposals for more democracy in elections due in

1995. They also called on Britain and China to resume talks.

But China won few friends in Hong Kong with its claims. Representatives of groups that had voted for and against the motion criticised Beijing's intervention.

Mr Ronald Arculli, a conservative politician who was in the minority, defended LegCo's right to debate Mr Patten's proposals and express a view. He pointed out that LegCo was a law-making institution and not

a consultative body to the government.

Mr Patten, who was in Vancouver yesterday, said he thought Hong Kong people wanted a rational discussion rather than empty threats.

He said the 1984 Sino-British Joint Declaration and the 1990 Basic Law - Beijing's constitution for the colony after it reverts to Chinese sovereignty in 1997 - refer to the executive branch of government being accountable to the legislature.

Australia set to announce job creation measures

By Kevin Brown in Sydney

AUSTRALIA'S Labor government is expected to announce an increase in spending on job creation today following a bigger-than-expected rise in unemployment to a post-war record of 11.3 per cent.

Mr Paul Keating, the prime minister, will ask the federal cabinet to raise spending on training and bring forward infrastructure projects announced in his February economic statement.

Mr Keating said the economy was recovering slowly from the 1990-91 recession, but the government would "press on with an expansionary fiscal policy to deal with unemployment".

However, economists said the government's room for manoeuvre was limited by its need to restrain growth in the forecast budget deficit of A\$13.4bn (\$5bn), compared with A\$9.3bn in 1991-92.

An easing of monetary policy is also unlikely because of the recent weakness

of the Australian dollar, which has fallen by about 13 per cent against the US dollar since November 1991.

Most commentators expected unemployment to increase in October from the September level of 10.8 per cent. But none forecast that the rate would exceed the previous post-war record of 11.1 per cent in June.

The government said the increase was due to a change in the statistical method used to calculate the figures and a rise in the participation rate,

which measures the proportion of the workforce seeking work.

Ministers pointed out that the number of people in work increased slightly. However, the figures showed that the number of unemployed was only 20,000 short of the politically damaging 1m level.

The size of the increase put an end to speculation that Mr Keating might call a federal election before Christmas to capitalise on a recent improvement in Labor's popularity.

NEWS: INTERNATIONAL

France cuts interest rates

By David Buchan in Paris

FRANCE yesterday lopped another quarter percentage point off its official interest rates, with Mr Michel Sapin, the finance minister, declaring this second cut in two weeks to be "a sign of confidence in our economy and our currency".

The Banque de France lowered the regular intervention rate at which it lends to commercial banks from 8.35 to 8.1 per cent, and its repurchase rate for marginal lending to the banking system from 10.25 to 10 per cent. There was little reaction from the money and stock markets, which had largely anticipated the move. The franc continued to trade at below FF13.38 to the D-Mark, and share prices rose slightly.

Mr Sapin said the French central bank had now "not only recovered all that it had spent" defending the franc

against speculative attack in September, "but had also been able to increase significantly the level of its foreign exchange reserves". The minister claimed this showed the franc had emerged stronger from its September crisis and "it therefore has a real potential for appreciation". Such potential is, however, unlikely to be realised while German interest rates remain high.

Mr Sapin would not be drawn on the prospects for German rates except to say the trend in European rates in general changed when France

approved the Maastricht Treaty on September 20.

The removal of uncertainty had paved the way for lower rates in a number of countries, he said, adding: "Today's rate cut must be seen in the European context."

The previous quarter percentage point cut in rates, on November 2, came after a period of tension in which the repurchase rate had risen as high as 13 per cent.

Prime Minister Pierre Bérégovoy has said his government would lower interest rates when possible to give France's sagging economy a boost, but raise them when necessary to keep the franc strong. Carrying out the second leg of this policy will become steadily harder as the ruling Socialists head into the campaign for parliamentary elections, which look set for March 21 and 28 next year.

FABIUS TO FIGHT BLOOD SCANDAL

FRANCE'S ruling Socialists yesterday rallied behind party leader Mr Laurent Fabius vowing they would not let him be made a scapegoat for a scandal over Aids-tainted blood transfusions, Reuter reports from Paris.

Mr Fabius, who was prime minister in 1985, when more than 1,300 haemophiliacs were infected by transfusions from state blood banks, told party colleagues he had no intention of resigning and would fight back before a parliamentary High Court.

The opposition has demanded that Mr Fabius and the former ministers of health and social affairs, Mr Edmond Hervé and Ms Georgina Dufour, stand trial before the parliamentary court for their alleged political responsibility in the blood affair.

An opinion poll, taken after health officials were convicted last month for allowing contaminated blood to be used, showed 75 per cent of voters wanted the politicians to stand trial.

Puerto Rico sees gains in Nafta

By Canute James

PUERTO RICAN concerns that the island's export markets in the US could be endangered by Mexico's participation in the North American Free Trade Agreement (Nafta) have eased with indications that the island could gain from the trade pact.

Puerto Rico's exports to the US last year were valued at about \$1.7bn, accounting for 85 per cent of all the island's exports. But government officials and economists had feared that earnings from exports would be reduced because of direct competition from a more cost-efficient Mexico.

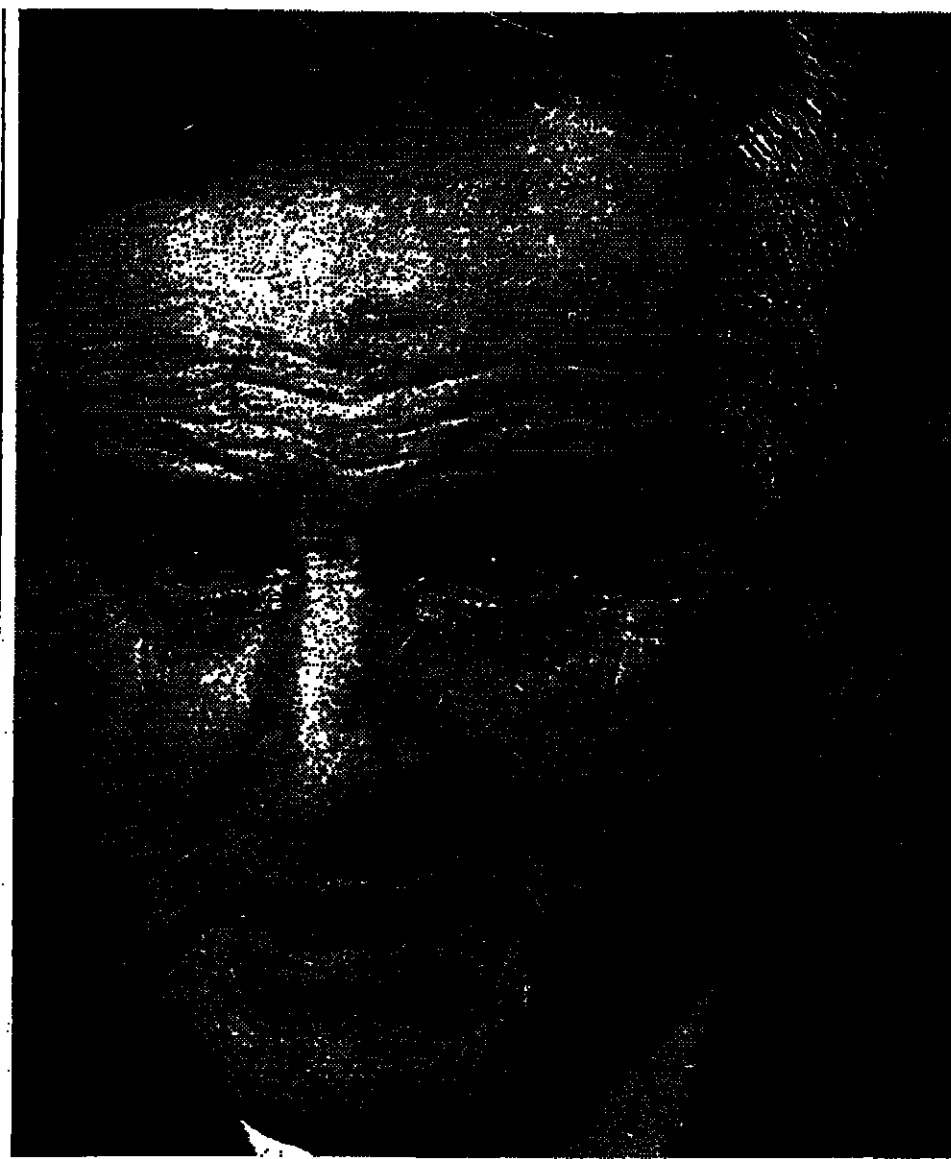
A study commissioned by the island's development bank, however, has concluded that, if Nafta were to be implemented, Puerto Rico would have a clear advantage over Mexico in the US and Canadian markets in pharmaceuticals, electronic components and accessories, professional instruments, electronic computing and rum distilling.

This conclusion, said the study done by KPMG Peat Marwick of the US, is based on comparisons of the return on investments in Mexico and Puerto Rico. "In pharmaceuticals, the estimated rate of return to a Puerto Rican investment... is about 65 per

cent, whereas after Nafta the rate of return to an investment in Mexico making the same product for the US market is about 32 per cent," said the study.

It suggested, however, that Puerto Rico will find it hard to compete successfully with Mexico in other sectors. In the clothing sector, for example, the rate of return on investments in Mexico will be 60 per cent with the implementation of Nafta, while the rate in Puerto Rico will be 30 per cent.

There will be similar disadvantages for Puerto Rico's textile, tuna and leather footwear industries, the report concluded.



ALBERT REYNOLDS: a majority believe he has precipitated an unnecessary general election

Irish poll shows fall in PM's popularity

By Tim Coone in Dublin

MR Albert Reynolds, the Irish prime minister, has suffered a new blow to his re-election hopes with the publication of the latest nationwide opinion poll showing a sharp drop in support for his Fianna Fail party and his own personal popularity hitting a new low.

The poll published yesterday in the Irish Times, carried out by the Market Research Bureau of Ireland, shows support for Fianna Fail down from 49 per cent to 40 per cent over the past six weeks, and Mr Reynolds' leadership rating down from 60 per cent of voters satisfied to 51 per cent.

The poll was conducted last Monday. It remains to be seen whether a £1.6bn spending package announced by Fianna Fail this week, as part of its manifesto, will enable it to turn the tide.

Mr Reynolds has staked his political future on winning an absolute majority in the November 25 general election, but will require at least 47 per cent of the vote to do so.

The poll also indicates that the majority of the electorate did not think a general election was necessary, and that most believe Mr Reynolds was responsible for precipitating it, in the "feud of honour" with his coalition partners.

Thessaloniki invests in future as a transit centre for Balkans

Greece's largest cargo-handling terminal is taking a long-term view in undertaking a big development programme, writes Kerin Hope

BULLDOZERS are churning up quaysides at the port of Thessaloniki, manoeuvring around steel plates bound for the former Yugoslav republic of Macedonia and containers from Bulgaria. A Dr30bn (\$144m) development programme, the largest infrastructure project in northern Greece, is under way to make the port a transit centre for the Balkans.

However, Thessaloniki accepts that it must take a long-term view of the region's prospects. UN sanc-

tions against trade with Serbia have wiped out a sizeable amount of business since July, while the former communist Balkan countries are trading less as they apply market reforms.

"It could take till the end of the 1990s for this area to recover. But by then, Thessaloniki will be in a position to handle a large percentage of transit trade in south-east Europe," says Mr John Maronidis, the director of port operations.

Thessaloniki, Greece's largest cargo-handling terminal, lies at the

centre of the Thracian Gulf in the north Aegean. Only a few hours' drive from Bulgaria and Macedonia, it is a more convenient outlet for both countries than ports on the Black Sea.

Last year, Thessaloniki handled 13.9m tonnes of dry and liquid cargo. For the first seven months of 1992, dry cargo volume increased by 15 per cent and liquid cargo, mostly oil, by 11 per cent.

Despite a sharp fall in Bulgaria's foreign trade, with exports down last year by 70 per cent and imports

by 40 per cent, Thessaloniki's free zone is handling an increasing amount of Bulgarian cargo in transit. Last year's total of 57,000 tonnes was matched in the first eight months of 1992.

Yugoslav goods - mainly Macedonia - totalled 898,138 tonnes last year, compared with 677,837 tonnes for the first eight months of this year.

Trade with Macedonia is not affected by Greece's refusal to recognise its northern neighbour under that name, though oil ship-

ments have been held up since August following accusations that oil was reaching Serbia from Greece through Macedonia. Greek sensitivities over nomenclature are assuaged by stamping transport documents from Macedonia as "unrecognised" by Greek authorities.

Thessaloniki has benefited from the lifting of transport restrictions in Yugoslavia and Bulgaria in the past two years. The obligation on exporters to use state-owned enterprises meant goods followed round-

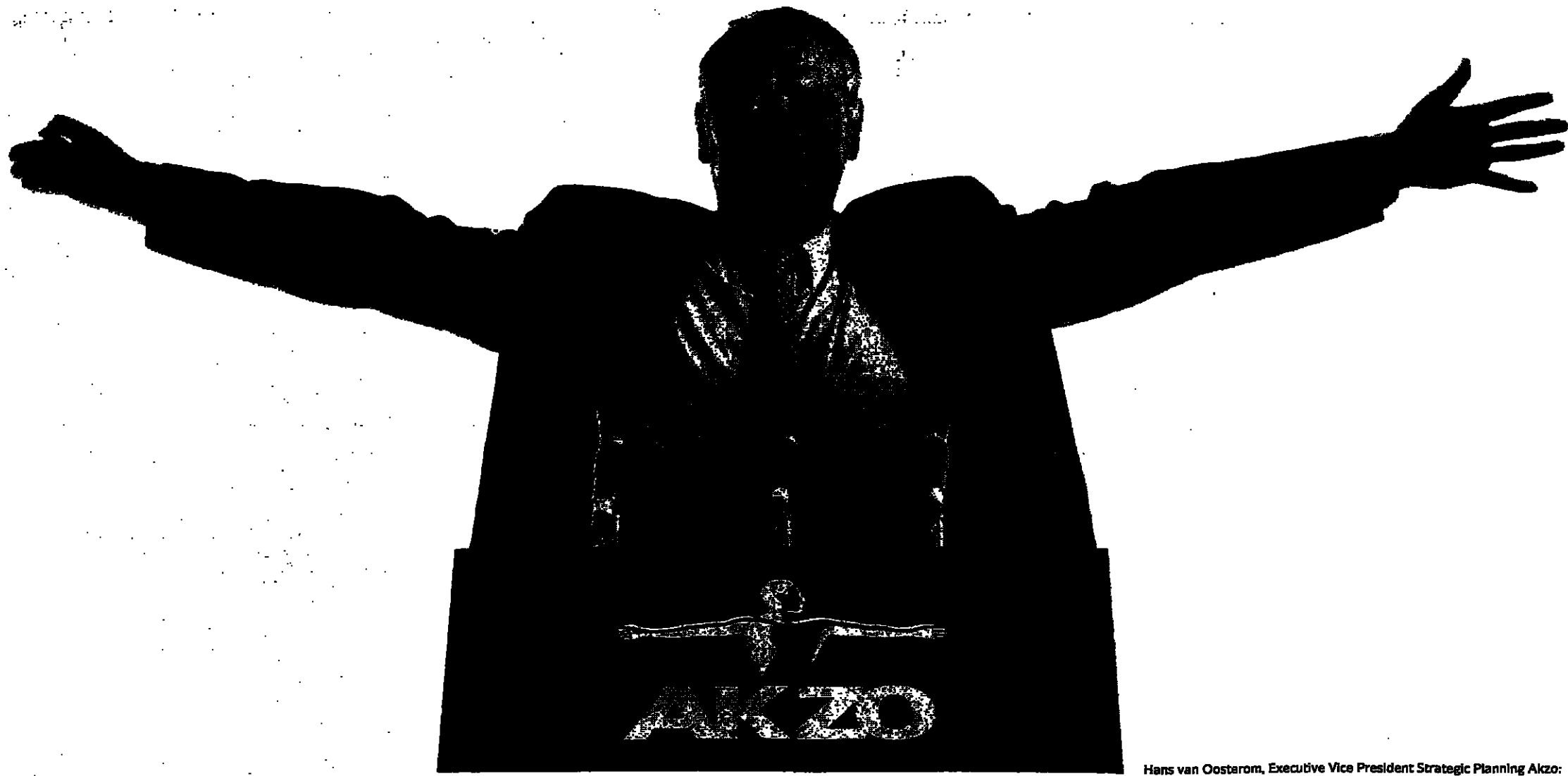
about itineraries imposed by the government.

Although Bulgarian and Romanian ports are now trying to attract more trade by offering tariff discounts, they suffer from labour problems and severe shortages of equipment.

However, Thessaloniki, a state-controlled port, is not without labour difficulties of its own. The 1,000 stevedores still work only one daily shift, although the container terminal operates on a 24-hour basis.

This will change as the development programme advances. As one of the few profitable state enterprises, with annual earnings of some Dr1bn, Thessaloniki port is scheduled for privatisation by 1995.

By that time, the harbour will be two metres deeper and the main quay will have been extended by 500 metres. A Dr5.2bn landfill project will expand warehouse space in the free zone, and a new railhead, the overland link with western Europe, is being built within the port precinct.



Hans van Oosterom, Executive Vice President Strategic Planning Akzo

This small

"Dealing with Akzo means dealing with business units who are right in the forefront of their chosen field. So it may surprise you that we haven't the slightest inclination to become one of the world's

largest chemical companies. We much prefer to be big in the areas we choose. Yes, we make acquisitions. But never just to grow bigger. Only if it adds value to our existing operations. Yes, we penetrate

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CREATING THE RIGHT CHEMISTRY



NEWS: UK

Major pressed on Iraqi arms trade

By Ivo Dawney,
Political Correspondent

MR JOHN MAJOR was thrown on to the defensive yesterday as opposition leaders pressed him to reveal how much he knew of arms-related machinery sales to Iraq and when he first became aware of it.

His claim that the 1985 government guidelines may not have been breached by British exporters provoked audible gasps of disbelief in the House of Commons.

Shaken by persistent questioning from Mr John Smith, the Labour leader, the prime minister conceded that he met Mr Alan Clark in late 1990 to discuss newspaper reports that arms-related exports to Iraq were taking place.

He insisted, however, that

Mr Clark, then defence minister, had dismissed as "totally false" reports alleging he had advised companies to conceal arms-related equipment sales.

Mr Major said Mr Clark had taken a similar position in his written testimony to the Matrix Churchill trial, adding that it was only when the former minister gave oral evidence that he had had "any reason to believe" otherwise.

Mr Paddy Ashdown, the Liberal Democrat leader, said Mr Major had substituted an explanation "with a smoke-screen and a scapegoat."

Referring to a letter he received from Mr Major on December 6 1990, Mr Ashdown underlined that the documents revealed in the trial included one, dated June 1990, that openly discussed machine tools

being "used for munitions manufacture".

The memo, from Mr Nicholas (now Lord) Ridley to Mrs Margaret Thatcher, was copied to a key Cabinet committee on which Mr Major sat as chancellor of the exchequer.

Mr Major yesterday insisted that his December 1990 letter made clear the Matrix Churchill case was subjudice and he could not comment on it.

Mr Ashdown, however, has pointed out that breaches of the guidelines by other companies were also covered in the memo. "The clear message of the Prime Minister's letter to me of 6 December, 1990 was that the rules were being observed and that, with the possible exception of the firm under Customs and Excise investigation, no machine tools

were exported from Britain to Iraq and subsequently used to produce 'lethal' defence equipment," he said.

"This is now known to be incorrect and it seems clear that the government and the prime minister knew so at the time."

One government observer said last night that it was more than possible that, when chancellor, Mr Major's private office did not draw his attention to the Ridley memo.

But he added that, given the 500 pages of civil service and ministerial discussion of the issue released by the court, it is less likely that Mr Major was kept entirely "out of the loop" when he succeeded Mrs Thatcher as prime minister.

● The Customs and Excise Department yesterday aban-

doned its final Iraq-export prosecution in the wake of the Matrix Churchill affair - dropping its case against Mr Keith Bailey, chairman of BSA Tools of Birmingham.

Mr Bailey had been facing a single charge of evading export controls in selling machine tools to Iraq between September 1988 and March 1990.

Mr Allan Moses QC, who also prosecuted in the ill-fated Matrix Churchill case, told an Old Bailey judge that after considering the evidence from that trial he was of the firm view that the only proper course was to abandon proceedings against Mr Bailey. A formal Not Guilty verdict was returned by the judge, Mr Justice Garland. Mr Bailey's costs were awarded from public funds.

Britons decide saving is the leading family value

BRITONS are spending less on food and clothing and more on their homes, transport and leisure according to the latest government statistics published today.

There are also indications that the country is saving more in spite of government hopes that a rise in consumer spending would help pull Britain out of recession.

The wealth of statistics contained in the annual report on family spending compiled by the Central Statistical Office (CSO) shows average weekly household expenditure last year was £259, an increase of 4.8 per cent on 1990. But with inflation running at 5.8 per cent over the same period, the figures represent a decline in spending in real terms.

At the same time, average gross weekly income rose by 8 per cent to £283, supporting theories that more people were saving money rather than spending it.

The statistics, gathered from a representative sample of 7,000 households across the country with each adult keeping a detailed diary of all expenditure, give a fascinating glimpse of how people spend their money.

They also highlight the great differences in income and in spending patterns between the wealthier and the poorer sections of society.

The average gross weekly income of households in the top one-fifth of the income range, for example, was £285 compared with an average £76

Official figures deflate hopes of increase in spending writes Richard Evans

for the lowest fifth. Households where the income was in the lowest fifth received three-quarters on average from social security benefits.

The survey found the number of people earning money from investments had almost doubled in the last 30 years, from 3.6 per cent in 1971 to 6.5 per cent last year, while income from salaries over the same period dropped from 73.9 to 61.4 per cent.

footwear also dropped, from about 10 per cent in 1987 to slightly more than 6 per cent last year, while the amount spent on housing and motoring doubled in the same period. The amount spent on fuel and power has remained steady.

The survey found people in Northern Ireland spent most on fuel, light and power bills with an average weekly expenditure of £14.81 a household. The areas where the least was spent were the north with £11.30 and London with £11.27.

Households paid an average £24.96 in 1991 in interest on credit cards, and average weekly betting payments were £1.44. However, average winnings were only 81p.

Households in the UK have been getting smaller, and now only a tenth conform to the popular image of the average family of two adults and two children. The average last year was 2.42 people per household, the lowest figure recorded since the survey was started in 1957. The corresponding figure 25 years ago was over three.

Nearly one in three households are now single people, twice as many as 30 years ago, and just over two-thirds of households are owner occupiers. Scotland has the lowest proportion of owner occupiers at just under 50 per cent.

The data collected in the survey, which includes a national rent for housing, is used to create the representative basket of goods and services from which the retail price index is compiled. It is also used a lot in market research surveys.

NOTICE OF MEETING OF BONDHOLDERS

To the Holders of

Commercial Mortgage-Backed Bonds, Series 1986-1

9½% Sinking Fund Bonds Due February 1, 1996
9½% Sinking Fund Bonds Due February 1, 1998
Zero Coupon Bonds Due February 1, 2006

of

Mutual Benefit Overseas, Inc.

NOTICE IS HEREBY GIVEN, in accordance with the provisions of the Indenture dated as of February 1, 1996 (the "Indenture") between Mutual Benefit Overseas, Inc. (the "Issuer") and Citibank, N.A., as Trustee, relating to the above-captioned Bonds (the "Bonds"), that, pursuant to Section 9.02 of the Indenture, a meeting (the "Meeting") of the Holders of the Bonds (the "Bondholders") will be convened by Citibank, N.A., as successor trustee (the "Trustee") under the Indenture, on December 9, 1992, at 9:30 a.m. London time, in the Orchard Room of the Dorchester Hotel, Park Lane, London, England. Capitalized terms used but not defined in this notice shall have the respective meanings ascribed to such terms in the Indenture.

PURPOSE OF MEETING

On August 21, 1992, the Issuer, Samuel F. Fortunato, as Rehabilitator of Mutual Benefit Life Insurance Company in Rehabilitation ("MBL"), the Trustee and certain Bondholders entered into an Agreement (the "Agreement"), subject to the approval of the New Jersey Superior Court supervising the MBL's rehabilitation (the "Court"), and the Bondholders, providing for, among other things: (i) the transfer of the common stock of the Issuer (the "Common Stock") to a court-appointed receiver (the "Receiving Agent"); (ii) the appointment of JBI Schroder Bank & Trust Company as Receiving Agent on the terms set forth in Exhibit C to the Agreement; (iii) the termination of the Servicing Agreement and the Management Agreement; (iv) the appointment of a substitute servicer; and (v) the filing of a petition under Chapter 11 of the Federal Bankruptcy Code in respect of the Issuer by the Receiving Agent ten days after the Transfer, unless such a petition shall have previously been filed by Bondholders.

On October 21, 1992 the Court, by order of Judge Paul G. Levy, approved the Agreement. Accordingly, the only purpose of the Meeting is to:

1. Approve the substitute servicer proposed by the Trustee and the terms of its contract with the Issuer, or such other substitute servicer as may be proposed in accordance with the procedure set forth below;
 2. (i) Approve the appointment of the Receiving Agent and the terms of its proposed contract with the Issuer, (ii) vote to exculpate MBL, in its capacity as Servicer, from any liability arising from certain actions taken with respect to certain Mortgage Loans, as more particularly described in Exhibit B to the Agreement (the "Workout Actions"); (iii) approve the Workout Actions; and (iv) direct the Trustee not to take any action against the MBL based on the Workout Actions (the foregoing vote to exculpate, approval and direction being referred to hereinafter as the "Exculpation"); and
 3. Consent in the advisability of the filing of a petition under Chapter 11 of the Federal Bankruptcy Code in respect of the Issuer by the Holders of Bonds or the Receiving Agent.
- In connection with the foregoing, it should be noted that:
- A. Under the Agreement, it is a condition of the Transfer that the Exculpation be approved by the Bondholders;
 - B. Under the Agreement, if the above matters are approved, the Transfer will occur on January 29, 1993, and on the tenth business day thereafter a petition under Chapter 11 of the Federal Bankruptcy Code in respect of the Issuer will be filed by the Receiving Agent unless such a petition shall have previously been filed by Holders of Bonds;
 - C. The Issuer has advised the Trustee that Holders of Bonds will be able to obtain materials concerning the matters to be addressed at the meeting (the "Materials") on or after December 1, 1992 from (i) the Trustee, at the location specified below, or (ii) the Paying Agents listed below (the "Agents");
 - D. Bondholders wishing to propose an alternative to the substitute servicer proposed by the Trustee will have an opportunity to do so at the Meeting, provided that they shall have delivered to the Trustee, by 12:00 noon New York time, on Friday, December 4, 1992, the name of such proposed alternative substitute servicer and, in sufficient quantity for distribution to all Bondholders, such materials in respect thereof as such Bondholders wish to be made available to other Bondholders. Any such materials provided to the Trustee will be made available to Holders of Bonds after 12:00 noon on December 7, 1992 by the Trustee, at the location specified below, and the Agents.

ATTENDANCE AT THE MEETING

Pursuant to the terms of the Indenture, only persons qualified to vote at the Meeting, representatives of the Issuer, representatives of the Trustee, and the respective counsel to the foregoing, will be admitted to the Meeting. Members of the public at large and members of the press will not be admitted.

1. A Bondholder who wishes to attend the Meeting in person must (a) produce at the Meeting either his Bond (or Bonds), or a valid original Ownership Certificate (as hereinafter defined) relating to his Bond (or Bonds), or (b) arrange for CEDEL or Euroclear to advise the Trustee of his ownership of Bonds and intention to attend the Meeting, all as provided more fully below. Ownership Certificates may be issued by the Trustee, at the location specified below, by each of the Agents, or, on a form available from the Trustee and the Agents, by any trust company, bank, depository or Luxembourg Stock Exchange member firm, in each instance satisfactory to the Trustee (an "Authorized Person").
2. A Bondholder who does not wish to attend the Meeting in person, but who does wish to be represented at the Meeting, or who votes by proxy, must deliver his Bond(s) or Ownership Certificate(s) to a person whom he wishes to attend and vote at the Meeting on his behalf, along with a proxy form, which may be obtained from the Trustee or the Agents, authorizing such person to vote in respect of the Bonds listed in the Ownership Certificate, which proxy form must be signed by the Bondholder and accompanied by a signature guarantee by the Trustee, an Agent, or an Authorized Person.
3. In order to obtain an Ownership Certificate, a Holder of a Bond in bearer form must, no later than two business days prior to the date of the Meeting, (a) deposit his Bonds with the Trustee or an Agent, or (b) deposit his Bonds with an Authorized Person, if not already so held, and obtain the signature of such Authorized Person, by an appropriate officer thereof, on a fully completed Ownership Certificate in the form available from the Trustee and the Agents. Bonds so deposited or held will be returned to the Bondholder upon the termination of the Meeting. A telefacsimile or photocopy of any Ownership Certificate issued by an Authorized Person must be furnished to the Trustee, at the location specified below, no later than two business days prior to the date of the Meeting. A Holder of a Bond in registered form who wishes to obtain an Ownership Certificate must cause to be delivered to the Trustee, at the location specified below, no later than 4:00 p.m. on December 4, 1992, a written request for an Ownership Certificate, which request must be signed by the Registered Bondholder.
4. Any Bondholder whose Bonds are held by CEDEL or Euroclear may obtain admission to the meeting by causing CEDEL or Euroclear, as applicable, to advise the Trustee in writing, no later than two business days prior to the date of the Meeting, of such Bondholder's name, the original principal amount(s) and stated maturity of the Bonds owned by such Bondholder, and that such Bondholder, or his named representative, intends to attend the Meeting. Any Bondholder whose Bonds are held by an investment bank or other institution that holds such Bonds through Euroclear or CEDEL should request that such institution either (a) direct Euroclear or CEDEL to provide the Trustee with the name of such Bondholder, or the name of his representative, along with the amount of his beneficial holdings, in which case no Ownership Certificate will be required, or (b) issue an Ownership Certificate, in which case Euroclear or CEDEL should be requested to confirm the holdings of such institution in respect of which Ownership Certificates have been issued. The Trustee has been informed that in order for CEDEL and Euroclear to assure compliance with the aforementioned schedule, they should be instructed by the Bondholder or institution, as the case may be, in an appropriate manner, at least four business days prior to the date of the Meeting. It is suggested that Bondholders seeking assistance from Euroclear or CEDEL contact them sufficiently in advance of the aforementioned deadline to assure timely compliance with such relevant requirements as Euroclear or CEDEL may have.
5. The original Ownership Certificate must be delivered to the Trustee in London on the day of the Meeting in order to be admitted to the Meeting, and will be retained by the Trustee.
6. Persons seeking to attend the Meeting will be required to furnish identification satisfactory to the Trustee.
7. THE TRUSTEE RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO ADMIT OR DENY ADMISSION TO THE MEETING TO ANY PERSON PURPORTING TO BE A BONDHOLDER OR REPRESENTATIVE THEREOF WHO FAILS TO COMPLY STRICTLY WITH THE REQUIREMENTS SET FORTH IN THIS NOTICE.
8. For there to be a quorum at the Meeting there must be one or more persons present entitled to vote Bonds representing a majority in Aggregate Current Principal Amount of the Bonds at the time outstanding.
9. Any matter submitted for determination, or action proposed to be taken, at the Meeting will be decided by written ballot. In the event of a vote, every person who is present and entitled to vote shall have one vote for each One Dollar (U.S. \$1.00) of unpaid principal amount (in the case of the Sinking Fund Bonds) or Accrued Value (in the case of Zero Coupon Bonds) of the Bonds held or represented by such person. Ballots will be made available at the Meeting.

The Agents referred to in this Notice are:

Citicorp Investment Bank (Luxembourg) S.A.
16 Avenue Marie Theres
L-2132 Luxembourg

Citibank, N.A., CSSI Department
Citicorp Center—Third Floor
Hays Lane
London SE12QT, England
Attention: Paul Donovan

The Trustee, CEDEL, and Euroclear may be contacted at the following addresses in connection with the matter referred to in this notice:

Marine Midland Bank, N.A.
Corporate Trust Department
140 Broadway—12th Floor
New York, New York 10015
Attention: Ms. Vivian Georges

CEDEL
67 Bd. Grand Duchesse Charlotte
L-1010 Luxembourg
Attention: Custody Events
(Telephone: 44-99-2-323)
(Telecopier: 44-99-2-3207)

Euroclear Operations Center
Rue de la Regence 4
B-1000 Brussels, Belgium
Attention: Custody Special
Operations
(Telephone: 519-2877)
(Telecopier: 519-2613)

Ms. Deirdra Savino
(Telephone: (212) 658-6515)
(Telecopier: (212) 658-6425)

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should contact your professional advisor.

MARINE MIDLAND BANK, N.A.
as Trustee

November 13, 1992

UK jobless total rises to 2.87m

By Emma Tucker,
Economics Staff

UNEMPLOYMENT rose by less than expected last month, but the number of people out of work and claiming benefit reached its highest level for 5½ years.

Another fall in average earnings growth to its lowest level since 1987 will, however, hearten the government.

The seasonally adjusted rise of 24,000 in unemployment in October took the total to 2,870,000, a level last seen in May 1987.

Although the rise was the smallest since June, another drop in vacancies suggested further big losses are likely before the end of the year.

Vacancies at Jobcentres, accounting for about a third of all vacancies, fell by 2,500 in October to 97,000, the lowest level for 11 years.

The number of people without work has risen by more than 1.2m in the 30 months since unemployment started to rise. It is estimated to be growing at a rate of between 30,000 and 35,000 a month with the latest increase leaving the seasonally adjusted unemployment rate at 10.1 per cent. Unadjusted, the employment figures fell by 32,954 to just over 2.8m.

Mr Frank Dobson, shadow employment secretary, said: "Britain has now suffered 2½ years of unrelenting job losses and up to now the government hasn't raised a finger to help."

Mr Michael Forsyth, the employment minister, predicted more jobs would be created when business was able to take advantage of lower inter-

est rates, denying election pledges on improving the economy were being broken.

One explanation for the lower-than-expected rise in October was that adults and students unable to find jobs enrolled on further education courses. This would disqualify them from the official figures which only count those claiming benefit as unemployed.

In the year to September, average earnings grew by 5½ per cent, a fall of 0.25 per cent on August. This compares with growth in average earnings of 7.75 per cent a year ago.

Employment in manufacturing continued to fall. In September it dropped by a seasonally adjusted 32,000, a smaller fall than in August. However, 128,000 manufacturing jobs were lost in the third quarter, compared with losses of only 50,000 and 18,000 in the first and second quarters respectively. There are now 4.4m people employed in manufacturing in the UK, compared with a peak of 7.8m in June 1971.

Both male and female unemployment rose in October. The annual rate for men was 13.6 per cent, compared with 13.4 per cent in September. For women the rate rose to 5.5 per cent, unchanged on the previous month.

Unemployment rose in every region except Northern Ireland. The highest rise in the south-east, including Greater London. The rate of unemployment in the south-east is 11.2 per cent, the third highest rate in the country after Northern Ireland (14.7 per cent) and the north (11.6 per cent).

Britain in brief



UK new car output rises by 20.2%

UK car production in October was 22.2 per cent higher than a year ago in spite of short-time working at Ford's UK plants and at Rover's plant at Longbridge, Birmingham.

Overall UK car output increased to 117,674 from 97,139 in the same month a year ago helped in particular by rising output by Nissan, the Japanese car maker, and Vauxhall, the UK subsidiary of General Motors of the US.

Nissan production in October was 64 per cent higher than a year ago, while Vauxhall's output rose by 15 per cent. UK car production in the first 10 months of the year at 1,079,807 was 3.7 per cent higher than in the same period a year ago, according to the Society of Motor Manufacturers and Traders and the Central Statistical Office.

Paper fined for contempt

The publishers of the Mail on Sunday newspaper and two journalists have been fined a total of £60,000 after being convicted of contempt of court in publishing interviews with jurors from the Blue Arrow fraud trial.

Associated Newspapers were fined £30,000 for committing what two High Court judges called "a deliberate and most serious breach of the law".

Mr Stewart Steven, former editor of the newspaper and now editor of the Evening Standard, was fined £20,000 and Mr Clive Wolman, city editor of the Mail of Sunday, £10,000 for a "dangerous encroachment" on the functions of a jury.

Lloyd's Names threaten action

The prospect of fresh legal action by Names at Lloyd's of London has grown following a meeting by more than 1,000 Names who are members of the loss-making Feltrim syndicates.

Mr Colin Hook, chairman of the Feltrim Names Association, told Names that talks designed to obtain a court settlement to their dispute "will fail".

He is asking the association to finance action against 59 members' agents, which channelled Names, the individuals whose capital provides the market's capital base, onto the Feltrim syndicates.

Naval bases face closure

More than 1,000 jobs are to be shed at two naval bases in southern England, the government announced.

Ship refitting at Portsmouth will cease by next summer, Mr Archie Hamilton, armed forces minister, said in a written Commons reply. The work will be done instead at the naval dockyards at Devonport near Plymouth and Rosyth, Fife.

Dairy Crest to cut 390 jobs

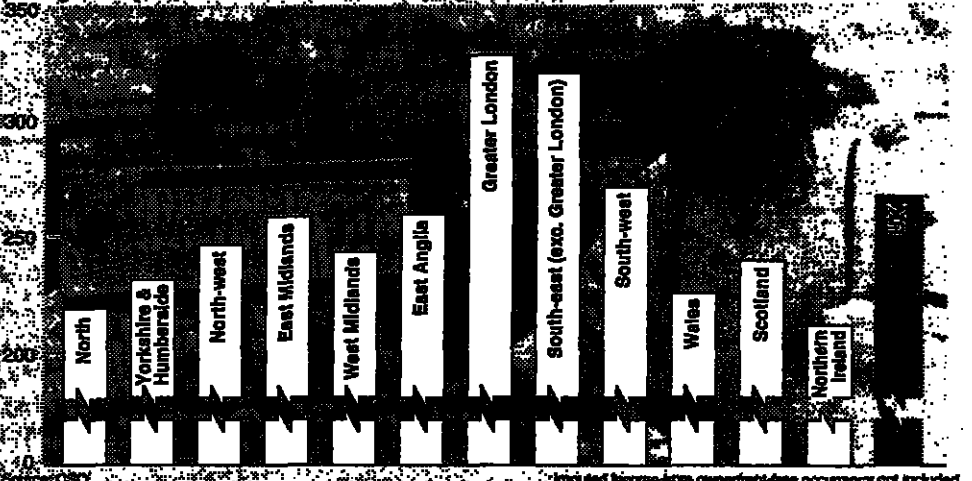
Dairy Crest, the Milk Marketing Board's manufacturing subsidiary which has 25 per cent of the UK market for dairy products, is to shed 390 jobs as part of a rationalisation programme which includes two creamery closures.

Capital issues

UK borrowers announced new capital issues of £1.5bn last month, the Bank of England said. The largest issue was the rights for £653m of ordinary shares by Tomkins, the industrial company which is bidding for RHM.

Family spending: how the regions compare

Average weekly disposable household income by region, 1990-91 £s per week



Regions put chips on the table

MORE fish and chips are consumed in Yorkshire and East Anglia than anywhere else in the country, the Welsh drink the most tea and the Scots smoke the most cigarettes, according to comparisons of regional spending patterns, writes Richard Evans.

Average weekly household expenditure throughout the country was £253.10, but it ranged from £210.62 in the north to £322.06 in Greater London. Spending on food was highest in London at £51 a week and lowest in the north at £41.

Households in East Anglia and Yorkshire and Humbersides set aside an average 71p a week for their food and chips, but the people of Northern Ireland spent only 29p.

The biggest drinkers were in the north-west, where households spent £12.45 a week on alcohol. This compared with £7.99 in Greater London

and a sober £7.55 in Ulster. However, Londoners easily beat rivals in drinking wines and spirits, spending £5.20 per household.

The heaviest smokers were in Scotland, where weekly household expenditure on tobacco averaged £8.14 compared with £4.11 in the south-west and £3.50 in East Anglia. There was a different pattern for cigars and snuff where the biggest fans were the Welsh.

The Welsh also topped the league for tea-drinking, spending 63p a week on the national brew. The Scots spent least on tea at 47p a week, while East Anglians and northerners spent the most on coffee - 55p - compared with only 33p in Northern Ireland.

Households throughout the UK spent on average £1.76 a week on hairdressing and beauty treatments. People in the south-east spent £1.97, compared with £1.34 in Wales and the north.

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AUTUMN STATEMENT: UK government spending plans

Lamont releases state funds for capital projects

By Robert Peston and Andrew Taylor

MR NORMAN Lamont, the chancellor of the exchequer, yesterday used his annual autumn statement on public spending to unveil a package of measures to boost Britain's ailing construction and transport industries.

The chancellor said the £1.6bn extension of the Jubilee Line to London's docklands, east of the city, would go ahead if final agreement on a £400m private sector contribution is reached with a consortium of banks.

A separate series of measures should also help the construction industry. These include the temporary suspension of restrictions on local authorities' ability to spend receipts from the sale of capital assets.

While welcoming state funding for the Jubilee Line extension, Mr Wilfred Newton, London Transport's chairman, warned that other government funding for London Transport next year, however, will be 30 per cent less than it had been expecting.

Mr Newton said: "We now face the real prospect of the loss of 7,000 jobs in supply industries."

The construction industry, due to benefit from the Jubilee Line contracts, will be helped by a decision not to cut the

Motor industry welcomes end of tax

THE special car tax - abolished last night - cuts new car prices immediately by around 4 per cent.

The price of an average family saloon costing £10,000 should fall by about £400.

The government warned yesterday that taxes on motoring would be raised next year, however, in order to pay for the abolition.

The removal of the car tax

will cost about £100m over the rest of the financial year and £700m in 1993/94, the Customs and Excise said yesterday.

"This should be recouped within the 1993 Spring Budget by raising taxes on motoring," it said, suggesting higher fuel duty and a possible increase in road fund licences.

The UK motor industry last night strongly welcomed the removal of the tax.

national road building programme. In the longer term, the government hopes to boost construction activity further by allowing private companies to form joint ventures with the public sector to invest in roads, railways and other infrastructure projects.

The government also loosened restrictions on private sector financing of public sector projects. Mr Lamont said privately financed schemes would now be permitted so long as they were profitable.

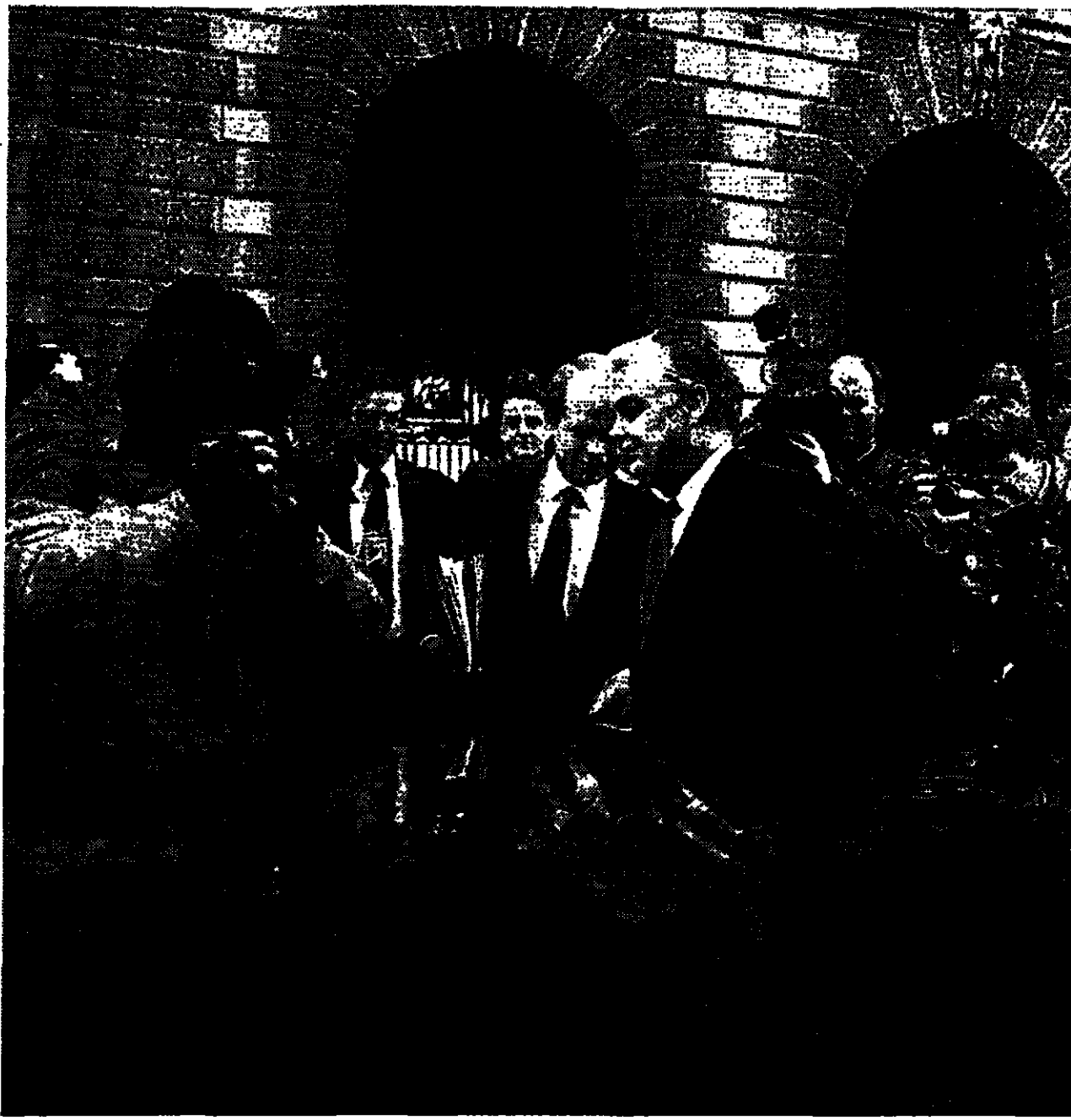
The measures set out by Mr Lamont will also mean that from today until the end of 1993, all of the proceeds from sales of assets such as council houses will be available for spending on housing, roads and other projects. Previously councils could spend only 25 per cent of these proceeds. The

newly available funds, which the Treasury estimates will total £1.75bn, must be spent in the coming three years.

In addition, a special tax allowance is being introduced for a year to encourage the construction of new industrial and agricultural buildings, including hotels.

The construction industry welcomed the package, including funds made available to help the housing industry. Mr Joe Dwyer, chief executive of Wimpey, a leading construction company, said: "I am encouraged by what I have heard."

Mr Neville Simms, chief executive of Tarmac, the country's biggest housebuilder, said: "Given the financial constraints the government is operating under we must be pleased with the measures."



Norman Lamont, chancellor of the exchequer, leaving the Treasury building for the House of Commons

Treasury maps out spending targets

By Peter Marsh, Economics Staff

THE Autumn Statement is the UK Treasury's annual projections for public spending. Yesterday's statement, the last before a new system of unified budgets next year, gives spending details for the financial year starting next April, plus the following two years. It also updates plans for 1992-93. Its features include:

General Government Expenditure (GGE). A definition of public spending aggregating total spending of central and local government. If government revenues (mainly taxes) add up to less than GGE, the balance has to be financed by borrowing. In the March Budget the Treasury said GGE in 1992-93 would be £256bn.

GGE excluding privatisation revenues - the broadest way of looking at government spending. On the back of projections of receipts from privatisation of £50bn in 1992-93, the Treasury in March pencilled in £286bn for this figure in the current year.

Government spending as a proportion of GDP. The government wants this to decline over time, giving it more room for private sector initiatives. In March Treasury said it would be 43 per cent in 1992-93, after 42 per cent in 1991-92.

Planning total. This is a narrow measure of public expenditure used by Treasury to control overall spending growth. It adds up to about 90 per cent of total government spending, excluding three areas: local authorities' self-financed spending, interest paid on government debts and accounting adjustments. The total for 1992-93 was set in the Budget at £227bn; in 1993-94 the figure is £244.5bn.

Control total. From 1993-94, Treasury is abandoning the planning total, replacing it with a new concept called the control total. By emphasising the control total when looking ahead, Treasury hopes it will isolate unavoidable increases in spending such as unemployment benefits.

Cyclically-related social security spending. Taken by Treasury to encompass unemployment benefit plus income support paid to people of working age. This total is likely to be £10bn-£15bn a year over coming years.

Reserve. Unallocated sum built into plans for spending totals to account for unexpected increases.

Treasury forecasts. The Autumn Statement is one of two occasions when Treasury publishes its forecasts. Treasury forecasts are also published during the March Budget, which provides tax and revenue plans.

Markets split over statement's success

By Our Markets Staff

FINANCIAL markets were divided last night over the Autumn Statement, with some dealers claiming the package contained several ingenious measures while others feared it would not do enough to stimulate economic growth in the UK.

The announcement of a 1 percentage point cut in base rates, effective today, had been priced into foreign exchange dealing earlier in the week, with the pound barely moving against either the D-Mark or the US dollar.

Traders in UK stocks were pleased with the cut in base rates, and share prices rose before and after the chancellor spoke to the Commons. Several stock market analysts, however, warned the statement may not be enough to push the stock market significantly further.

Gilt prices were depressed because of the chancellor's forecast that the public sector borrowing requirement would rise to £44bn in 1993-94.

According to analysts at S.G. Warburg securities, this implies gilts will have to be issued next year at a rate of £1bn a week, a prospect they described as "daunting". The immediate reaction on currency markets was muted. Sterling stood at DM2.4105 at the start of Mr Lamont's speech, rose to DM2.4150 and later closing at DM2.4200 - more than 1/4 a penny up on the day. The pound closed fractionally weaker on the day against the dollar, at \$1.5940.

The FT-SE 100 index of leading shares closed at 12,736.4, a net gain of 28.6. The projected figures for the FTSE caused a sharp drop in gilt prices, which ended the day up to a quarter of a percentage point lower at the long end.

Diplomatic service faces severe cutbacks

By Robert Mauthner, Diplomatic Editor

RADICAL cuts in Britain's diplomatic activities will be made over the next four years after the chancellor yesterday announced the biggest ever budget reductions for the Foreign and Commonwealth Office.

Although the total reductions of £70m for 1993 to 1996 are lower by about £30m than earlier feared, they will still lead to much fewer resources than originally planned for overseas posts, capital spending and diplomatic activity in general.

The cuts will be unevenly distributed over the period, with the bulk of the reductions coming in projected expenditure - £30m, in 1993/94, after cuts of £12m in 1993/94 and £28m in 1994/95.

The 1993/94 total expenditure of £1.32bn represents an

increase of 2.4 per cent in real terms on the provisions for 1992/93, but the Foreign Office stressed that this is more than offset by the cost of new posts in the former Soviet Union and Eastern Europe and "the increased pace" of diplomatic activity.

Officials said the implementation of the Foreign Office's proposed activities would be "just manageable" during the first year of the public expenditure survey. Achieved by slowing the capital expenditure programme and cutting scholarships and military training.

In 1994/95 and 1995/96, for which funds have been reduced in real terms by 3.7 and 2.3 per cent respectively it will not be possible to carry out all the Foreign Office's activities, even at a reduced level.

It is possible at least 25 overseas posts might disappear.

Government plans £700m boost for housing market

By John Gapper and Scheherazade Daneshkhu

THE chancellor yesterday tried to stimulate the chronically depressed housing market by spending £700m on buying empty and repossessed homes. The move is the first time the government has intervened directly to reduce empty housing stock.

The move is intended to cut by 20,000 the stock of 225,000 empty properties. Housing associations are being given money to buy empty homes, and a further £50m is being spent to subsidise local authority tenants to buy private homes.

Combined with a cut in base rates to 7 per cent, the move is an effort to restore confidence in the housing market. But banks and building societies said the change was unlikely to act as an immediate stimu-

lus to house buying.

Building societies yesterday reacted quickly to the base rate cut by cutting mortgage rates. However, Abbey National bank and three societies widened lending margins by reducing mortgage rates by only a 0.75 percentage point.

The chancellor increased short-term spending on housing in England without raising the overall subsidy to the Housing Corporation. He brought forward £800m of a three-year £6bn expenditure plan, marking it out for house purchases.

Mr John Wrigglesworth, housing market analyst at UBS Phillips & Drew, said the market was so depressed that he did not believe the measures would have a strong effect. He said associations might not spend money on repossessed homes.

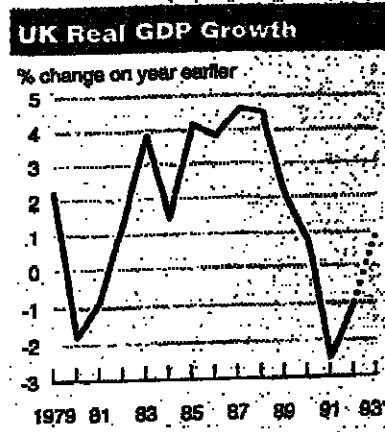
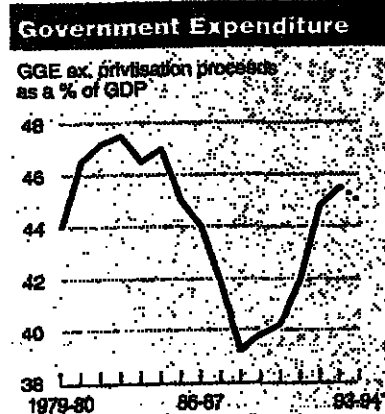
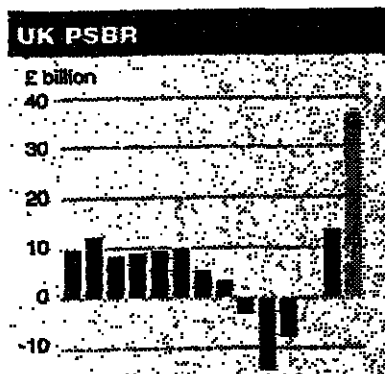
The Building Societies Association said it expected the measure to ease the oversupply of housing and to help the social rental sector. The £700m works out at an average of £37,500 per property bought by housing associations.

West Bromwich, Newcastle and Yorkshire building societies announced a 0.75 per cent cut in rates. Yorkshire's rates will be implemented on Monday for new borrowers, Newcastle's are from today, the others are immediate.

Existing customers will benefit on December 1 at West Bromwich, December 23 at Abbey National while Yorkshire and Newcastle have yet to announce a date.

Woolwich and Alliance & Leicester building societies said they would also announce a 0.75 point cut while Halifax, Nationwide and Leeds also promised a reduction in their mortgage rates soon.

MAIN POINTS OF THE CHANCELLOR'S AUTUMN STATEMENT



Public spending level to stay at £226bn

By Emma Tucker, Economics Staff

Base rates
The chancellor announced a 1 point cut in base rates to 7 per cent, the lowest level since 1978.

No change in government spending levels: There will be no effective change in the level of public spending planned for this year and next year. This implies a planning total of £226.1bn this financial year in line with figures set out in last year's Autumn Statement. (The figure allows for classification changes and a new £750m package to boost the housing market).

New Planning total: The new control total - which takes over from the planning total in the next financial year - has been set at £243.5bn for 1993-94, £253.5bn for 1994-95, and £263.5bn for 1995-96. This represents average growth of 1.4 per cent in public sector spending over the next 3 years, half the average growth rate of the past three years.

General government expenditure - comprising central government and local government spending and debt interest - is likely to rise to 44.75 per cent as a share of national income this year "mainly as a result of the recession". It is projected to rise to 45.5 per cent in 1993-94, before dropping to 45 per cent the following year and 44.25 per cent in 1995-96.

Privatisation proceeds and the reserves: The new control totals include reserves of £4bn in the next financial year, rising to £7bn in 1994-95, and £10bn in 1995-96. Privatisation proceeds will not be part of the new control total and will therefore not affect expenditure. They are anyway projected at £5.5bn in both 1993-94 and 1994-95.

Fiscal Stance: The Treasury expects the public sector borrowing requirement to rise to £37bn this financial year, a significant increase on the Budget forecast of £28bn, and higher than most independent forecasts. In 1993-94 the PSBR is expected to rise to 7 per cent of GDP at £44bn.

Package of temporary fiscal measures designed to give immediate boost to confidence:

● **Motor industry:** Car tax abolished from midnight last night. This should provide a saving of around £400 on a £10,000 car.

● **Capital allowances:** First year capital allowances for plant and machinery increased from 25 per cent to 40 per cent for one year.

● **Housing:** The government will use an extra £750m this year to buy empty properties for use as low rent housing.

● **Exporters:** The government will provide a further £700m of ECGD cover to "ease some of the constraints on cover for individual countries."

Private finance for infrastructure projects: The statement included a new initiative on private finance to enable public and private sectors to work more effectively together, particularly on infrastructure projects. Privately financed projects which can be operated profitably will be allowed to proceed.

No comparison with a theoretical public sector alternative will be required.

● **Departmental Spending:** New public spending plans give priority to capital programmes.

● **Roads:** The overall transport budget has been cut but cash plans for the national roads programme will be maintained. Because of the

fall in construction prices, the number of new starts next year should be double this year's levels.

● **Public Transport:** British Rail will be allowed to lease around £150m of new rolling stock orders over the next three years.

● **Jubilee Line extension:** Funds for completion - £1.2bn over three years - will be made available, provided negotiations are completed.

● **Public Sector:** Pay settlements in the public sector will be restricted this year to a maximum increase of 1.5 per cent.

● **National Insurance:** Contributions will not be raised. Upper and lower earnings limits will be indexed as usual.

● **Education:** Spending on education will be £9.5bn next year - a real rise of 3 per cent. This is designed to fund an 8 per cent increase in the number of students expected to enroll at further education and sixth form colleges next year.

● **Social security:** The real value of unemployment benefits and pensions will be maintained. Most social security benefits will increase by 3.5 per cent in April.

● **Local Government:** Central government support for local government spending will rise by 3.7 per cent in England next year.

● **Defence:** Spending will fall sharply in real terms. Next year it will be reduced by £3.75bn and will continue to fall over the following two years.

● **Health Spending:** In real terms will increase by 1 per cent next year.

● **Employment:** A real spending growth of 1 per cent next year, will allow for 500,000 new places on government employment schemes.

Cautious economic forecast: The chancellor offered a muted view of the economy expressing particular concern over the lack of confidence among consumers and businesses.

● **GDP:** The economy is forecast to contract by 1 per cent this year, followed by growth of around 1 per cent next year. This is slightly less bullish than the consensus of independent forecasts.

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AUTUMN STATEMENT: Details

Opponents complain at 'absence of strategy'

By Ivor Owen and Ralph Atkins

THE Autumn Statement failed to provide an effective economic and industrial strategy for the future, Mr Gordon Brown, shadow chancellor, told the Commons.

Waving aside shouts of "cheer up" from the Tory benches he maintained that, with unemployment still set to rise, the chancellor should have gone still further in adopting Labour policies as a way of restoring the confidence needed in order to

get the economy moving again. Mr Brown's remarks contrasted sharply with the enthusiastic response which most Tory backbenchers accorded Mr Norman Lamont in private and public.

A concerted effort by Treasury ministers to brief Conservative MPs of the economic backdrop to the statement appeared to have paid off. He was told by one of his more persistent critics, Mr Nicholas Winter, MP for Macclesfield, that "your credibility has been restored".

Lord Parkinson, the former Tory Cabinet minister and frequent critic of the government, said on BBC television that Mr Lamont, "was clearly right on top of the job".

But Mr Alan Beith, Treasury spokesman for the Liberal Democrats, contended that the total package was unlikely to have anything like the impact needed. "There is a danger that today's fireworks may burn out very quickly," he said.

Mr Robert Sheldon (Lab Ashton-under-Lyne), a former Treasury min-

ister, welcomed the chancellor's belated recognition of the need to help the manufacturing sector through improved capital allowances but warned "although you have done something you have not done enough".

The decision to impose a zero to 1.5 per cent limit on public-sector wage increases was fiercely condemned by the Opposition.

Mr Dennis Skinner (Lab Bolsover) accused the chancellor of having introduced a "spiteful mini-budget"

which attacked the lowest paid, and Mr John Garrett (Lab Norwich South), protested that thousands of public-sector workers faced an absolute cut in their standard of living and quality of life.

The chancellor stressed that in the past two years public-sector workers had done better, on average, than those in the private sector.

Responding to concern from Tory backbenchers that the policy of the banks had prevented small businesses from receiving the full benefit

of earlier reductions in interest rates Mr Lamont noted that some had imposed a "floor" below which they would not reduce their charges.

To cheers, he said: "I hope they will consider this position very carefully."

While the help provided for the housing market was given a general welcome Mr Lamont agreed with Mr George Walden (C Buckingham) that it would be "a great mistake if we just tried to have a great house price boom again".

Public sector pay feels squeeze

By David Goodhart, Labour Editor

FOR the first time in 13 years the government yesterday set an explicit target for pay rises for all public sector workers over the next 12 months of 0 to 1.5 per cent. The chancellor said the pay squeeze would save about £1.5bn.

The target will not be legally binding but the government will be able to impose it directly on about 3m of the 5m public sector employees. For other groups, primarily local government, central government grants will assume pay awards within the 0 to 1.5 per cent range.

Mr Stephen Dorrell, financial secretary to the Treasury, accepted that the announcement represented an "evolution of policy" but also emphasised that governments had always made assumptions about public sector pay.

He stressed that the pay limit, which also applies to MPs, had been introduced to free resources for the provision of services and to help "suppress pay expectations" throughout the economy.

Although the pay limit only lasts 12 months, Mr Dorrell said that the "catch-up argument" would not be accepted next year.

He said it was important the pay limit should not interfere with the longer term movement towards more localised and performance related pay in the public sector.

The government has set aside all the pay formulae for civil servants, policemen and firemen and bypassed the pay review bodies, while stressing their value and insisting they will continue to operate.

The groups covered by review bodies - teachers, doctors and dentists, nurses and the armed forces - will all receive the maximum rises of 1.5 per cent from April next year. That is when the next public sector pay round begins in earnest and when the restrictions will start to bite.

Settlements already agreed this year will be honoured. Coal miners, the only large group not to have settled this year, may be the first group to be hit by the limit.

One group escaping the squeeze is people covered by the Top Salaries Review Body. The government intends to honour the second stage of the 1992 award, giving them an increase of 2.9 per cent.

Local government employers wrote to the government asking for a pay squeeze to apply across the private sector. The government has rejected that suggestion but the local authorities are likely to welcome the fact that the squeeze at least applies evenly across the public sector, defined widely to include bodies that are largely public funded such as universities and non-departmental bodies.

It appears that the pay commitments already accepted which run over into the 1993-1994 budgets will be treated separately and not set into the extra money for the 0 to 1.5 per cent settlement.

Several union leaders warned that the decision would build up big problems of comparability with the private sector for the future.

Feeling the squeeze, Page 14

Industry stops short of complete approval

By Michael Cassell, Business Correspondent

INDUSTRY last night withheld unqualified approval for the chancellor's package, although it was widely welcomed as an encouraging starting point for economic recovery.

Doubts remained over whether confidence, the one factor beyond the chancellor's control, would now improve significantly.

There was some disappointment among industrialists that today's interest-rate reduction will be limited to 1 percentage point and concern about whether the measures would provide a coherent strategy in the longer term for sustained investment and recovery.

Other business leaders suggested that the cheapest borrowing rates for 15 years, combined with what was in effect a 14 per cent devaluation of sterling, would provide a badly-needed boost to the economy.

Mr Lamont's short-term plan for reviving industry with a blend of measures to stimulate investment, expand production and increase sales met many of the demands on industry's shopping list.

Even so, Mrs Ann Robinson, head of policy at the Institute of Directors, said she was only "partially satisfied" with the package. She was concerned about the government's longer-term spending plans given the danger that insufficient revenue would boost public-sector borrowing and again raise interest rates.

The least impressed were smaller companies, with the Forum of Private Business - representing 20,000 businesses - claiming the chancellor had offered "only crumbs of comfort".

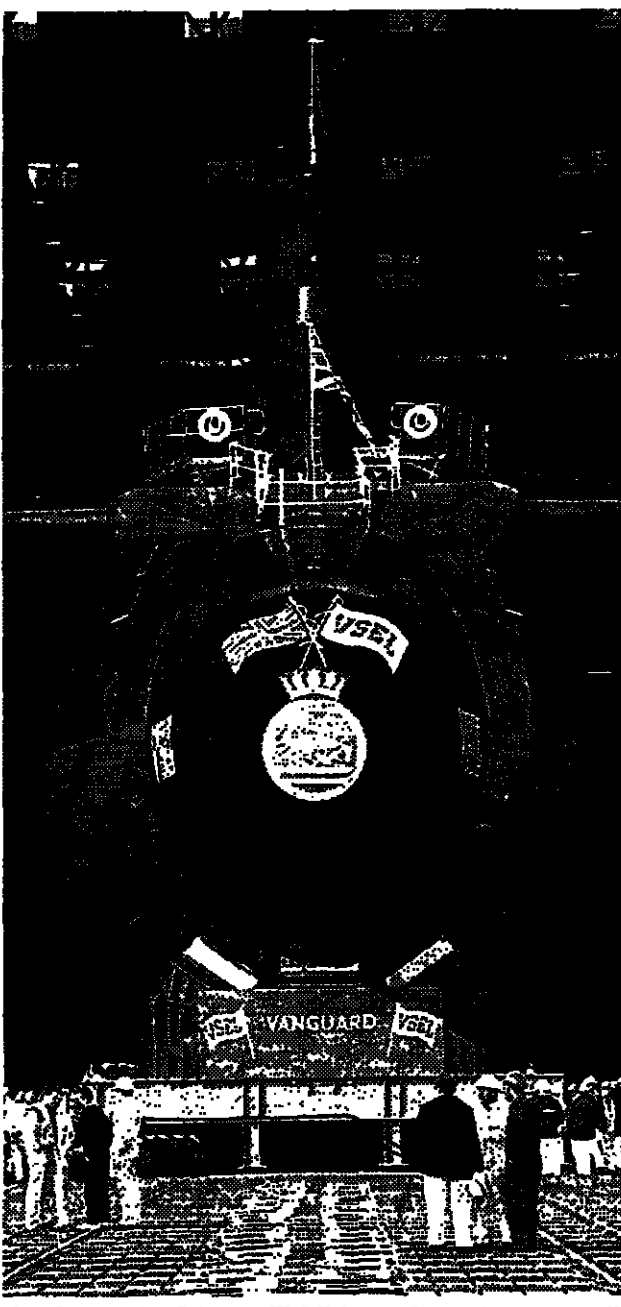
The emphasis on maintaining capital investment at the expense of current spending and the signalling of a new regime for encouraging joint ventures between the public and private sectors were well received by big business.

The Federation of Civil Engineering Contractors said the priority given to big infrastructure projects would be good for the construction sector.

The modest but short-lived measures for investment in plant, machinery and industrial buildings, along with Mr Lamont's direct intervention to help the housing and motor industries, also won approval.

The Society of Motor Manufacturers and Traders said the abolition of the special car tax would boost sales.

Mr Howard Davies, director-general of the Confederation of British Industry, said the improved investment allowances would be of direct benefit to industry. "No one can be sure these measures will be



Spending on UK defence will fall by £3.4bn next year and will continue to fall in real terms in the following two years

But it said the recession had badly affected IBM business and the move had come too late to improve this year's results.

The extra £700m cover for exporters available through the Export Credits Guarantee Department was generally welcomed, although it is the high cost of ECGD premiums which has raised most recent objections by exporters.

The Engineering Employers' Federation, which has been increasingly critical of Mr Lamont's policies, said the package represented "a great improvement". Mr Neil Johnson, federation director-general, welcomed the short-term elements of the package, but added: "Rebuilding the UK industrial base is a job which demands much longer-term policies".

Mr David Mann, managing director of Logica, the UK's largest independent computing services company, said the increase in capital allowances would encourage new computer hardware and software projects among the company's customers. The move was also welcomed by ICL, the UK-based computer manufacturer.

The UK subsidiary of International Business Machines, the world's largest computer manufacturer, commented: "Despite the strong move to services, our industry still has a high capital content, and so we welcome this investment incentive."

Mr Howard Davies, director-general of the Confederation of British Industry, said the improved investment allowances would be of direct benefit to industry. "No one can be sure these measures will be

Recession brings spending shift

By Peter Marsh, Economics Staff

A SHIFT of spending from weapons purchases to social security payments for the poor is among the changes forced on the government by the longer than expected recession.

There is also a big switch in the pattern of spending by local authorities. Councils' self-financed spending is due to increase to £11.1bn from the £9bn planned a year ago but at the same time the Treasury will crack down on payments to them by central government.

The new plans also indicate a cut in transport spending in relation to existing plans, while health spending has emerged virtually unscathed.

Spending on defence will total £23.5bn in 1993-94, 4 per cent down on the £24.5bn sketched in for the year in the 1991 Autumn Statement.

Some of the £1bn taken from defence funds will be injected into a 6 per cent overall rise in social security spending, up from the £78.1bn envisaged a year ago to a new estimate of £80.5bn.

Under new Treasury rules

outlined yesterday, only that element of social security spending which is reckoned to be unrelated to the economic cycle will be counted as part of the new control total introduced by the government to curb rises in overall spending.

After taking into account various changes in classification, the new control total - set at £243.5bn for 1993-94 - is equivalent to the £244.5bn planned total for this year announced by the Treasury 12 months ago.

Overall social security spending is divided into two parts: £65bn which is unrelated to the economic cycle and £15.5bn linked to the economic downturn. That takes the form of unemployment pay and some elements of income support to people under 65.

The Treasury is assuming that unemployment will average 2.8m this year and total 2.9m in 1993-94, staying at this figure until 1995-96.

Some of the comparisons between the different plans for 1993-94, shown in the table, have been affected by changes in responsibilities of specific departments.

Winners and losers among government departments: How the new control total for 1993-94 is shared out

£m	Old plans	New plans
Defence	24.5	23.5
Foreign Office	1.2	1.2
Overseas Development	2.3	2.3
Ag, Fish and Food	2.2	2.2
Trade and Industry	0.9	2.6
ECGD	0.1	0.0
Energy	0.5	0.5
Employment	3.9	3.9
Transport	6.8	6.4
Dept of Environment	8.0	7.9
Housing	1.2	1.4
Environment	32.5	28.4
Local govt	6.4	6.1
Home Office	1.8	2.6
Legal departments	6.4	6.4
Education/Science	0.6	0.6
Arts/Literature	n/a	1.0
National Heritage	30.0	30.0
Health	78.1	68.0
Social security	n/a	5.5
Cyclically-related	13.1	13.4
Scotland	6.1	6.3
Wales	7.4	6.9
N. Ireland	6.2	6.4
Chancellor's Depts	0.5	1.8
Cabinet Office	2.8	1.4
EC	8.0	4.0
Reserve	-6.5	-5.5
Privatisation receipts	9.0	11.1
Local authorities' self-financed spending	263.5	263.5

Notes: 1. Based on figures issued in Autumn Statement November 1991 using planning total. 2. Includes a £2bn classification change that reduces 1993-94 planning total from £244.5bn to £243.5bn. 3. Based on yesterday's figures using new control total. 4. Includes transfers from planning total classification. 5. Excludes from control total. 6. Department of Energy functions incorporated into Department of Trade and Industry.

Cautious line taken on recovery

By Edward Balls

THE RECOVERY, when it arrives, will be modest and driven by consumption rather than investment, according to the latest Treasury projections.

In a muted and heavily qualified statement of UK economic prospects, the Treasury admitted that its Budget projections have proved to be over-optimistic while forecasting that the economy will grow by 1 per cent in 1993 after contracting by the same figure this year.

The Treasury forecast for 1993 is lower than that of most independent forecasters. The consensus of forecasters expects a rise in gross domestic product of 1.4 per cent next year. In its pre-election budget, the government had forecast growth of 1 per cent this year and 3 per cent in the first half of 1993.

Treasury forecasters have been criticised over the past year for being both wrong and over-optimistic. In a recent FT analysis of recent forecasting performance, the Treasury came 19th out of 41 forecasters.

A Treasury calculation of its forecasts over the last 10 years show that its forecast for GDP growth tends to be wrong, on average, by 1.4 percentage points of GDP. This implies that the Treasury's growth forecast for 1991 could vary between 2.4 per cent and -4 per cent.

But the Treasury appears to have swapped optimism for caution.

"The recovery could, of

SPOTTING THE UK ECONOMIC RECOVERY

	Autumn statement 1992	Latest private 1992 consensus	Budget 1992	Autumn 1991
Gross domestic product				
1992	-1	-0.8	1	-2.4
1993	1	1.4	3	na
Consumer spending				
1992	-0.4	-0.3	1	2.2
1993	1.4	1.2	3	na
Gross consumption				
1992	1/2	1.2	1	1.3
1993	1/2	1.3	1.4	na
Fixed investment				
1992	-2	-2.8	-2	1.4
1993	0.3	0.3	3.2	na
Exports				
1992	3/4	3	3.2	6
1993	5/4	4.8	6.2	na
Imports				
1992	6/4	6.1	4	7.2
1993	5/4	4.2	8.4	na
Current account (£bn)				
1992	-12	-11.6	-9.2	-9.2
1993	-15.4	-13.5	-9	na
Manufacturing output				
1992	-1	-0.8	1.4	3.4
1993	1	1.8	3.4	na
Inflation				
1992	3/4	3.8	na	na
1993	3/4	4.0	na	na
PSBR (£bn)				
1992	37	32.9	28	na
1993	na	38.4	na	na

Notes: Figures apply to percentage changes on previous year unless otherwise stated. 1. Forecast for 1993 applies to year-on-year change in June 1993. 2. Comparison of forecasts compiled by Treasury, October 1992. 3. Financial year. 4. Retail price index excluding mortgage interest payments. 5. On an Q4

course, be a lot stronger if confidence picks up quickly in response to recent government initiatives" it says.

"But it seems prudent not to base the forecast on this assumption."

The effect of projected slow growth, rising unemployment

and higher spending is to raise the public sector borrowing requirement to £37bn this financial year, up from the £28bn target announced in the budget. Excluding privatisation receipts, the PSBR is £45bn, equivalent to 7.4 per cent of GDP.

The government expects a moderate recovery in consumer spending which is forecast to grow by 1.4 per cent next year. Fixed investment is expected to rise by a quarter of 1 per cent after falling by 2 per cent this year.

The relatively sluggish pick-up in consumer spending means lower than expected import growth, although at 5 per cent it is higher than the independent consensus. It is also faster than expected growth of exports.

There is little sign of a stimulatory effect on exports from the recent devaluation of sterling.

Indeed, the short-term effect is to increase the current account deficit as import prices rise faster than export prices. The deficit is expected to rise to £15.5bn in 1993 or 2.4 per cent of GDP compared to 2 per cent of GDP this year.

The devaluation does affect the government's inflation projections.

Retail price inflation, excluding mortgage interest tax relief, is expected to remain at 3.4 per cent this year and next. But producer price inflation is expected to jump to 4 per cent from 2.4 per cent this year as manufacturers use the devaluation to boost their profit margins. The Treasury downplays this inflation risk.

"Against a backdrop of strong disinflationary pressures, the lower exchange rate may imply only a marginal and almost certainly temporary increase in inflation," it says.

Concern in gilts market on PSBR

By Tracy Corrigan

THE GILTS market took the Autumn Statement in its stride yesterday, but the market's current bullish tone may prove difficult to sustain, as the longer-term implications for supply sink in.

The surge in the public sector borrowing requirement, now estimated at £37bn for this financial year and £44bn for next year, means that supply in the gilts market could reach £50bn next year, taking into account the need to refinance maturing government debt. This translates into about £1bn of gilt issues every week.

The immediate impact on the gilts market has been cushioned because, with less than £4bn still to borrow, the government has already completed most of its funding for this financial year.

"I don't think the real problem is for this year and it might not even be for next year, but it is the prospect of several years of PSBR between £40bn and £50bn that causes concern," said Mr Simon Bris-

coe, UK economist at Greenwell Montagu.

The government has some additional flexibility, because the inclusion in the funding arithmetic of the £15bn raised through purchases of sterling during foreign exchange intervention in September could be delayed, allowing some pre-funding in the gilts market before the start of the next financial year.

There are some fears that even the latest PSBR estimates may be conservative. "The key is going to be whether [Mr Lamont] will succeed in keeping to his public sector pay policy," said Mr John Kendal, an economist at Baring Brothers.

If the 1.4 per cent limit on public sector pay rises was exceeded, the government's funding needs could rise further, he warned.

But the background of low inflation and low growth, and the prospect of further cuts in interest rates, will continue to provide support for the gilts market.

Concern about inflation, even in the medium-term, appears to have faded.

Banks welcome measures

By Richard Waters, John Gapper and Norma Cohen

BANKS and other financial institutions gave a cautious welcome to the Autumn Statement, predicting that it would help to take some of the pressure off bank balance sheets and give a lift to trading in the securities markets.

Mr Phil Nunnerley, assistant general manager for retail banking at Lloyds Bank, said the banks welcomed the government's measures to stimulate the housing market by allocating £750m for buying empty properties.

Mr Geoff Ellerton, product director for branch banking at Midland, said the cut in base rates would make saving less attractive. The banks were already noticing a downward pressure on savings accounts, which could lead to increased consumer spending.

Securities houses looked forward to continuing interest in equities - and thus higher commissions - from falling UK interest rates, but no sudden shift was thought likely.

Scorn for 'non-statement'

By Paul Cheserlight, Midlands Correspondent

MR PAT WALLACE, who is in charge of government-funded training programmes at Birmingham Chamber of Commerce, called in an "autumn non-statement". He was disappointed that Mr Lamont had not mentioned training apart from making a brief reference to youth training.

He was not the only disappointed training chief. "I welcome the determination of the government to invest in the

development of human capital," said Mr Brendan McGuinness, director of education and training at the Engineering Employers' Federation in the west Midlands. "I would have welcomed a stronger commitment in the actual statement to training," he added.

Mr Peter Harrison, managing director of Linread, the fasteners group, said training was focused too much on the short term. "You've got to see it long-term as an investment, and that is where one would have liked to have seen govern-

ment putting some money in," he commented.

Mr Edward Roberts, chief executive of Heath Springs of Redditch and chairman of G10, the group which liaises between Training and Enterprise Councils and the government, said: "From what we can see at first glance it is a help."

"They haven't smacked the funding, and they have allowed us more flexibility," said Mr Richard Archer, a member of the Birmingham Tec board and a partner at KPMG Peat Marwick, the accountancy firm.

Little joy for north-west

By Ian Hamilton Fozzy, Northern Correspondent

THERE were only small cheers for Mr Norman Lamont in north-west England, where much manufacturing industry depends on defence contracts.

The rate of decline in defence spending is set to increase. About £1bn a year is to be cut from spending on equipment, leaving the total at "over £8bn a year," said the Ministry of Defence.

director of Pendle Aeroform, a Lancashire airframe components manufacturer, said: "Whitehall has failed to realise the magnitude of the problems guys like us are facing. A few tweaks won't be enough to get the economy going again."

Mr Mike Hynes, managing director of Lancashire Enterprises, a private-sector economic development company, said: "Better capital allowances and reduction in interest rates must help, but we are so dependent on military aircraft

in this area. It's not very good news unless they are going to spend the whole defence budget on EPA."

There was a more enthusiastic response from Mr Ted Stanworth, who runs the 40-employee Stanworth Engineers in Burnley. "Like many other similar companies, we have not been buying machine tools for the last two or three years," he said.

"We shall certainly be investing again now we can get 40 per cent capital allowances.

Inward investors give qualified approval

By Chris Tighe

INWARD INVESTORS in the north gave the statement a cautious welcome but stressed that, while its main points were helpful, they alone could not transform confidence.

The cut in interest rates, improvements in capital allowances and the decision not to increase national insurance contributions were all applauded. But investors emphasised that economic stability and clarity of policy remained vital.

There was some disappointment that the chancellor had not been more bold. Mr David D'Arcy, financial director of Norwegian-owned Grorud, which relies heavily on local authorities to buy the stair lifts and door and window fittings it produces at Consett, County Durham, said permission for them to spend only future capital receipts would have limited impact.

Mr John Dolan, managing director of Compag, the US-owned computer manufacturer based at Erskine, near Glasgow, welcomed capital allowances improvements, although

he had hoped for more relief on research and development spending.

Mr David Smith, human-resources manager at NSK, the bearings and automotive products manufacturer at Peterlee, County Durham, said: "In general all the measures are gratefully received." But he said they were "insufficient to transform our future".

Nissan Motor Manufacturing, which employs 4,800 people at its Sunderland car plant, welcomed the abolition of car tax but said confidence had to return before sales could rise significantly.

Sir Ron Dearing, chairman of the Northern Development Company, the body responsible for attracting inward investment to north-east England and Cumbria, said the boost to export cover would help the region.

Professor Neil Hood, director of Strathclyde University's International Business Unit, said improved capital allowances might influence the timing of some inward-investment projects, and the cut in interest rates would send a favourable signal to inward investors.

Handwritten note in Arabic script: "هذا هو الأصل"

AUTUMN STATEMENT: Comment

FINANCIAL TIMES: Editorial Comment

Package for recovery

used to abide by the increases to spending plans made in more confident days, while doing nothing yet to increase revenue. The result: a public sector borrowing requirement, excluding privatisation receipts, forecast at 7% per cent of gross domestic product this year and probably at over 8 per cent in 1993-94. These numbers are horribly realistic.

What the chancellor offers is not fiscal stringency. The plans allow for a real increase in total general government expenditure of just under 4 per cent between 1992-93 and 1993-94 and even for a real increase of 2.3 per cent in the new control total, supposed to exclude the cyclical element. Between 1990-91 and 1993-94 total government expenditure is forecast to rise by 13 per cent in real terms. Over the same period real GDP will fall. It is little wonder that the public finances are in such a dismal state.

The public finances are not all that looks dismal. What a difference seven months – and an election – can make to economic forecasts! In March, the Treasury forecast growth of 1 per cent in GDP

in 1992 and of 3 per cent in GDP in the first half of 1993. Now it says GDP will fall 1 per cent in 1992 and rise by only 1 per cent in the whole of 1993. Even growth between the second half of 1992 and the second half of 1993 is forecast at a mere 1% per cent. This is a forecast for a recovery that will feel like recession, coming after a recession that feels like depression.

Nor is the outlook for growth the only part of the forecast that is disturbing. In March the Treasury forecast a current account deficit of 1% per cent of GDP in the first half of 1993. Now, despite far lower expectations for the growth of domestic demand, the current account deficit is forecast to be 2% per cent of GDP in 1993. These plausible figures emphasise the importance of export-led growth and the risk that would have been created by any stoking up of domestic demand via still more fiscal stimulus.

The prospects for a sustained and balanced recovery now depend overwhelmingly on the response of inflation to the devaluation. The Treasury is optimistic on this score, forecasting the retail price

index (less mortgage interest) up by 3% per cent in the year to the fourth quarter and the producer price index up by 4 per cent. But it is the wage response that matters most. If the gain in competitiveness is to be maintained, the real cost of labour must fall. The government has taken the bold step of limiting the rise in public sector pay settlements to 1% per cent. The private sector has to follow suit.

If the private sector does not do so, the government may find its action on public sector pay a serious error. The chancellor notes that public sector pay has risen by 20 per cent over the past two years, while that of the private sector has gone up by only 13 per cent. But public sector pay had previously lagged behind that in the private sector. The government has made itself the direct target for all protests about low pay in the public sector. If public sector pay turns out to lag too far behind that in the private sector over the next year or two, there will be enormous pressure for a catch up in future years.

In the details of what the chancellor has proposed are various actions to lift the

gloom of recession. Noteworthy among these are the temporary increases in first-year capital allowances for plant and machinery; the allocation of £750m to buy up empty properties for social housing; the release of £1.8bn in local authority capital receipts; the abolition of the car tax; and extra export credits.

None of this is likely to prove immensely important. Nor is any of it particularly objectionable. But it represents a move towards the sort of short-term tinkering with taxation and interventionism in markets that would have been anathema during the Thatcher era. This inclination to match any powerful lobby with a fiscal goddy needs to be resisted.

More welcome is the determination to maintain ongoing capital spending. The chancellor and the chief secretary have reason to be pleased with the new top-down control over public spending if it has allowed them to keep within the earlier total for next year, admittedly a generous one, and impose sensible priorities on the allocation of spending as well.

In the longer term, the most important

innovation – apart from the new procedure for control over spending, the new control total and the new unified procedure for spending and revenue decisions, to be introduced next year – is likely to be the scope for the incorporation of private finance in public infrastructure spending. "The key question," says the Treasury, "is whether the private sector is genuinely assuming risk." The Treasury is right. This should not just be more public borrowing by the back door.

Yet, in the end, it will not be for the details of public spending – and for the absence of any of the feared "shock horror" cuts – that this Autumn Statement will be remembered. The question is whether the chancellor has crafted a package capable of delivering recovery at a rate that will start to heal both the economy and the wound in the public finances.

With the ratio of public spending (less privatisation receipts) to gross domestic product at 45% per cent of GDP and with the PSBR, similarly defined, rising to some 8 per cent of GDP, the British public sector is gaining an Italian air. Even with reasonable recovery, the prospects for the public finances look worrying. Without it, they look disastrous. The government must hope that devaluation and monetary easing will for once lead to the sort of long-term improvement in economic performance that has so often failed to happen in the past.

Samuel Brittan assesses the overall economic impact of what has turned out to be a full-scale budget

One's best is not always good enough



A very old trick used by chancellors of all parties when replying to critics of a Budget is to ask: "Are my critics saying that I have stimulated the economy too much or too little? Should I have borrowed more or less? This never fails to floor the opposition; and judging by the way Gordon Brown began his reply with prepared, but stale and inaccurately phrased, Labour party clichés, it will be quite effectively used on him.

The word "Budget" is used advisedly. For although the switch from spring to end-year Budgets was not due until next year, the British chancellor, Norman Lamont, effectively presented his 1993 Budget yesterday. It is difficult to see what more he can do next spring, unless there are still further shocks, requiring still further U-turns. Yet there was no one document listing all the measures and their expected spill-over effects of the kind to be found in the Budget Red Book.

I worried much less that this omission would give the chancellor an unfairly bad specialist press when he began his monetary section by repeating what he had said at the IMF after sterling had been forced out of the ERM. "Interest rates are now set according to British monetary conditions – to meet the target I have established for inflation" – with a metaphorical glance over his right shoulder and an emphasis on "British", which no one who has only seen the written statement will appreciate. If that is his view, the question arises what he was doing being chancellor for nearly two years up to September

operating an ERM policy he now seems to delighted to have junked. My own answer to the standard Budget question is that the chancellor has been insufficiently bold on the fiscal side but could be taking too many risks on the monetary and exchange rate side. It looks as if total spending, or the national income in money terms, will still rise less than a normal rate, yet much too much of this will be inflation, and not enough real growth.

One must accept that the Treasury has made an honest attempt to find ways of stepping up public spending and quasi-public spending

The projected public sector deficits would not be alarming for depression years, if one had more confidence in medium-term monetary and exchange rate strategy

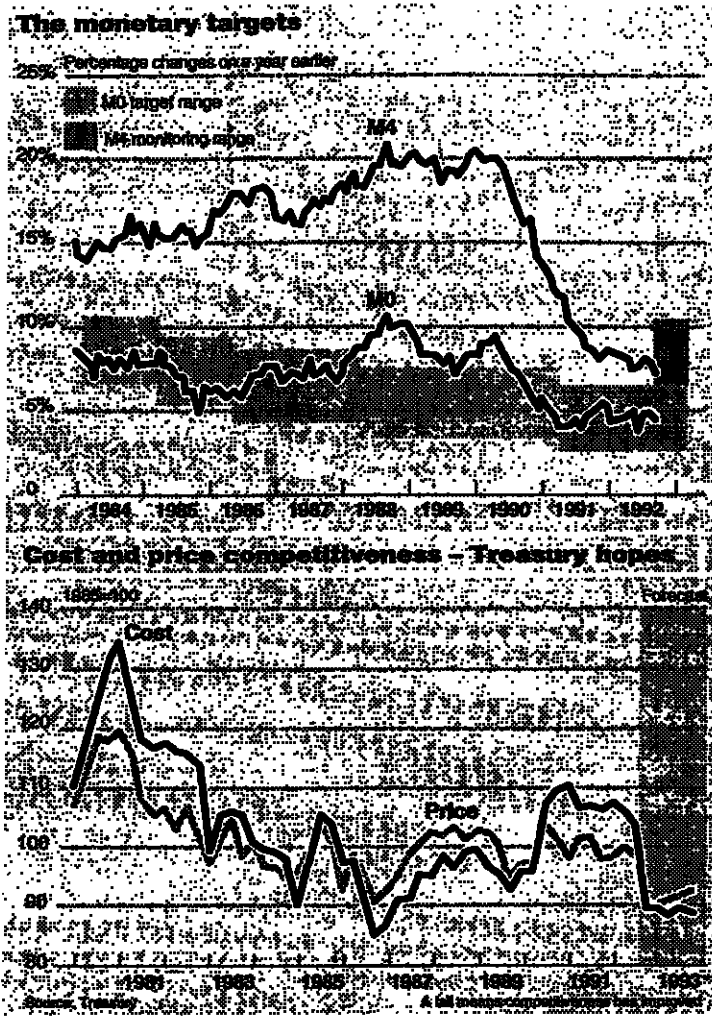
(by which I mean private investment committed to public-sector projects) in a way which need not add to public spending in the medium term. I do not mind the creative accountancy involved, as it seems to be valued by the profoundly non-market-oriented business and professional bodies to whom the Major government gives so much attention. But I would scrap the lot for the temporary tax holiday suggested by Peter Jay.

Most worrying are the special tax incentives for industrial investment – which contradict the principles of the anti-tax privilege 1994 Budget that Mr Lamont praised and which will be difficult to get rid of in later years. They could have been

devised by Robert Reich, Bill Clinton's economic czar designate. The fact that some analysts were simultaneously criticising the chancellor for excessive public-sector borrowing, and for not doing enough to stimulate the economy, strengthens the low-level case for creative accountancy. The projected public sector deficits of 6 per cent of GDP in the present financial year and 7 per cent next year would not be alarming for depression years, if one had more confidence in medium-term monetary and exchange rate strategy. The doubts stand out from the Treasury's own documentation. After several years of recession the official forecasters expect real GDP to rise by only 1 per cent in 1993. This means that the gap between output and productive capacity will carry on rising, which is why I have started writing about depression – and that unemployment will continue to rise. As unemployment is now almost certainly well above the equilibrium rate one would normally expect inflation to carry on falling further.

Yet the Treasury expects the underlying fall in inflation, measured by the RPI, excluding mortgage interest, to stall. It is expected to be 3% per cent in the fourth quarter of both this year and next. Producer price increases – in some ways a better measure of the underlying trend – are expected to accelerate from 2% to 4 per cent. Only the GDP deflator, which suffers from many statistical jinxes, especially in the market price version on which the Treasury has unhelpfully got itself hooked, shows a continuing decline.

The most dubious part of the official reasoning is the chart, reproduced here, showing cost and price competitiveness retaining all the devaluation advantages, which makes British products more competitive than at any time in the 1980s. Indeed another chart shows competitiveness continuing to rise. This can probably be reconciled with the inflation forecasts by some assumptions about improved profit margins. But unless the exchange rate is taken more seriously than the present team is inclined to do, I can see inflation climbing in the 1990s, while output and employment are still at depressed levels. Suspensions are further confirmed by the second in the series of much vaunted explanations of base rate changes, which refers in some



detail to domestic monetary indicators, but has nothing to say about the exchange rate, which in principle is supposed to have an equal weight as it was before sterling joined the ERM.

As so often, one should be most grateful for the touted measures which the Budget did not contain. There was no attempt to freeze social security benefits. The temptation to make a disguised increase in income tax by raising National Insurance contributions – which must have been considered, as the chancellor had the figures at his finger tips – was resisted. I wish he had also resisted the base rate cut, at least for now.

Some of the extra spending is to be funded by cuts, particularly in defence; by a welcome near-freeze on public sector incomes; and by ingeniously accounting for expected fresh injections of private capital as if it were not being used for public purposes. The items on the list sound very like the gimmicks, different in detail but similar in spirit, peddled to American voters by the Democratic candidate during the recent election. Throw in the one-point interest rate cut and you quickly detect an echo of Labour's plans for engineering a recovery.

Most Conservative MPs are unlikely to quibble about this. Their constituents have for some time been asking about what concerns them most: jobs. The recession has created a widespread and understandable fear of unemployment, among all classes and in all businesses. It is the single most important reason why the government is so unpopular. The slump in the housing market has frightened many voters who have been caught with mortgage debts greater than the value of their properties. Will a loss of job mean a loss of house? At first sight yesterday's package appears to address these fears. That in itself should win the government a plaudit or two.

It needs every manifestation of support it can get. Mr Lamont's package constitutes a last throw of the dice by a chancellor whose job has been in jeopardy since Black Wednesday and a prime minister who has since the same date lost much of his authority. The parliamentary occasion was therefore carefully prepared, partly by the Treasury's familiar device of intimating in advance that there would be greater horrors (such as an increase in national insurance payments) than there actually were on

If the Tories' fortunes have turned, it may not be for long, says Joe Rogaly

Last throw of the dice for the government



It will only work if it works. The autumn mini-budget announced by Mr Norman Lamont yesterday brought instant cheer to the Conservative benches, but if there is no quick response in the real economy the effect will soon wear off. Much depends upon whether the chancellor's interventionist package of direct measures really does lead to new orders in the construction industry, restart the housing market, and sell a few more motor cars.

Yesterday's news sounded promising. So it should. It is the heart of the government's desperation. No promise, no government. This explains the abandonment of some of the ideology of the 1980s. After a decade of being told that attempts to fine tune demand had been consigned to the dustbin of economics, along with schemes for kick-starting growth, Conservatives are now being asked to believe in some of the familiar nostrums of stop-go once more. What was anathema during the Reagan-Thatcher years is being attempted under duress by Mr John Major's government. It is a remarkable turnaround. Before the president-elect of the United States has had time even to rearrange the Oval Room furniture Mr Lamont has introduced Clintonomics to Britain.

Thus money will be spent on roads, railways, the Jubilee Line and public housing (reversing Mrs Thatcher's drive for privatisation of home ownership). Car tax is abandoned to help automobile sales. Capital receipts are to be released. There is one important difference from the 1980s. Real growth in spending in 1993-94, the only year of which we can be sure, is held to be a mere 4 per cent. The cash limit set in November 1991, with an election in the offing, is maintained.

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the day, and partly by what is quaintly called a "charm offensive". This series of meetings at which Treasury ministers pre-sold the autumn statement to backbenchers was a no doubt necessary exercise. We shall have to wait and see if the net effect is to do more than get the government through the night. It is perhaps too much to expect that what was said yesterday will put a stop to the run of political accidents that has hit the prime minister since September 16. The latest is still running. Mr Major came to question time prepared for an assault on his and certain of his colleagues' integrity over the sale of machine tools to Iraq in spite of an arms embargo. The extent of his homework, visible in the civil-service folder he held before him, is a measure of the danger he perceives.

In the event questions put by the Labour leader, Mr John Smith, were parried, but the game is not over. The more level-headed of Mr Major's ministers know that there is no quick way of restoring his administration's reputation, let alone its authority. They merely hope that the chancellor's economic statement will constitute a first step in what will be a long campaign.

The idea is that the government

will at last be seen to be doing something about the economy. It will insist, with a little more justification than it could before Mr Lamont sat down, that it has an economic strategy, that there is no longer a vacuum in Downing Street. We will soon know if this scheme is working. If it is, people will say that at last the cabinet is getting a grip; that it is no longer the plaything of events.

The chances are that it will go wrong, but this is not certain. The limit on public sector pay increases may produce marching nurses on the evening TV news. That would hurt the Tories. But not all public sector workers can so easily win sympathy. Some of the worst-paid – auxiliary workers, local authority employees and others – belong to unions whose track record is to use methods that quickly turn opinion against them.

A squeeze on public employees' pay is always going to be unpopular on the left of politics. The reaction of the conservative, middle-class heartland of England is not so predictable. The upsurge of sympathy for miners threatened with dismissal when the pit closures were announced may have been due to poor timing. The national mood was nearing a nadir. Contempt for the government was rising. This may change. Cuts as part of a recovery package are quite different from cuts when there is no hope.

There is, in short, a slim prospect that the mini-budget will bring about a turn in the government's political fortunes. It may not, however, be much of a turn, nor will it necessarily last. Mr Lamont's latest forecasts are cautious, which is hardly surprising. If he is right for once, there will be only the slightest relief from economic gloom during 1993, with the prospect of further cuts, or tax increases, thereafter. As his Labour shadow, Mr Gordon Brown, says, unemployment and bankruptcies will continue to rise. In those all too easily imaginable circumstances, yesterday's Autumn Statement could come to be seen as this government's political epitaph.

Michael Portillo has won plaudits in this year's public spending negotiations, says Philip Stephens

Chief secretary who stays dry in a downpour

There are not many ministers who can claim to have written themselves out of a job and be confident of a sparkling future. But then Mr Michael Portillo is among that rare group of politicians who manage effortlessly to set themselves apart from their peers.

At 39, the chief secretary to the Treasury is the youngest and the most junior member of the cabinet. He is one of its most assured performers, smart enough to know that even if Mr John Major's luckless government does hit the rocks, he will find a privileged place in the lifeboat.

If the Autumn Statement does not live up to its claims, Mr Norman Lamont will bear the opprobrium. The beleaguered chancellor is still living on borrowed time. If the package does allow the government to regain a grip on the nation's finances, Mr Portillo, deservedly, will derive much of the credit.

Perhaps he foresaw such a situation earlier in the summer when he enthusiastically backed the complete restructuring of the annual public spending negotiations. Some say it was Mr Portillo who dreamed up the new system. Mr Lamont insists it was his idea.

Either way the effect has been to reduce significantly the role of the chief secretary in deciding who gets what in the Whitehall share-out of the public spending cake. Instead, much of his role as holder of the Treasury purse-strings has been

taken over by something with the appropriately sinister name of EDX, the new cabinet committee established to consider the competing departmental claims. Mr Portillo was the committee's representative not its master. Ultimately, the important decisions – on the council tax, on public sector pay, on social security benefits – were hammered out in several exhausting sessions of the full cabinet.

But if the new system changed his role from that of a principal to that of an agent, Mr Portillo can claim justly that the system delivered the objective he started out with when he took the job after the April general election. After several years during which the government in practice abandoned its commitment to tight controls on public spending, Mr Portillo's starting point was that it had to begin again to face up to tough decisions.

In contrast with many of his colleagues, the chief secretary believes in the practice as well as the theory of cutting back the role of the state and the amount of money it demands of its citizens.

An intellectual Thatcherite in the Nigel Lawson mould (he worked for the former chancellor before entering parliament in a 1984 by-election), Mr Portillo pays more than lip-service to the economic ideals and achievements of the early 1980s.

He judged in the summer that a return to relative austerity would not be easy. Cabinet colleagues had become accustomed to winning



more cash each year to expand their Whitehall empires. The recession was, and still is, wreaking havoc with public finances by forcing up demand-led expenditure. He concluded that the cabinet would agree to break with tradition and stick to previously agreed spending targets only if ministers were given a collective voice in setting priorities.

He was right. Though the numbers are slightly different he can claim that the government has broadly met the remit he set back in July. The other key element in this year's reforms of the system – a switch to a new control total for spending which excludes those programmes most vulnerable to the economic cycle – has set the government's medium-term objectives in a more rational perspective.

It must not be assumed that the government will stick to those objectives. The reintroduction yesterday of a 1970s-style pay policy undecoded that U-turns come cheap after the turmoil of the past few months. But Mr Portillo can claim that the settlement he has mapped out – much tighter in the second and third years than in the first and with the cuts biting deeply on areas such as defence – has at least provided a coherent framework.

In the process the chief secretary has won himself plenty of plaudits. His confident, sometimes stubborn, negotiating style has impressed cabinet colleagues. His diligence and grasp of detail has prompted one senior Treasury official to remark that he is the sharpest minister he has worked with since Mr Lawson.

Mr Portillo's illiberal instincts are not to everyone's taste. He is in favour of hanging, and an apparent believer that many of the poor and disadvantaged have no-one to blame but themselves. He has blind spots: he believed that the poll tax represented a rational approach to local authority finance. His approach to Europe – he is publicly loyal about the Maastricht treaty but privately hates it – comes strangely from one born of a Spanish father.

But if the chief secretary is the standard-bearer of the Tory right, he is also a politician looking to the future. He is ready to smooth if not another his ideology with the politics of realism. He wants to be prime minister. In five or perhaps 10 years time he may well achieve his ambition.

MANAGEMENT

When Texas Instruments decided it needed to improve its services to customers, it sent teams of managers, design engineers and even accountants, to talk to personnel of all ranks within its customers' companies.

Service improvement, it was found, could be made at any level. For example, at ICL, the UK-based computer manufacturer which is one of Texas Instruments' important customers, discussions led to a new system of managing supplies.

In the past, ICL staff receiving goods from Texas Instruments had to open each package - which could contain up to 10,000 components - confirm the contents listed on the packing note and computerise the data. Now, the data provided in bar-code by Texas Instruments is read by ICL's bar-code system and goes automatically into its computer system.

Texas Instruments' efforts in paying greater attention to its prospective customers' needs paid off when it became one of eight semiconductor suppliers to win "accredited vendor status" from ICL last year, allowing the closest relationship between supplier and customer. Texas has also won, for the second year running, the chip users' top customer satisfaction award.

Texas is not alone in placing a high degree of emphasis on winning customer approval for its work: customer satisfaction is becoming as crucial to success as technological skills or manufacturing capabilities.

Some manufacturers have established "cost of ownership" programmes. Customers are asked to log the hidden costs - including, for example, availability of hardware and software support, delivery times, excess inventory and the need to inspect products - connected with buying and owning products from rivals, compared with themselves.

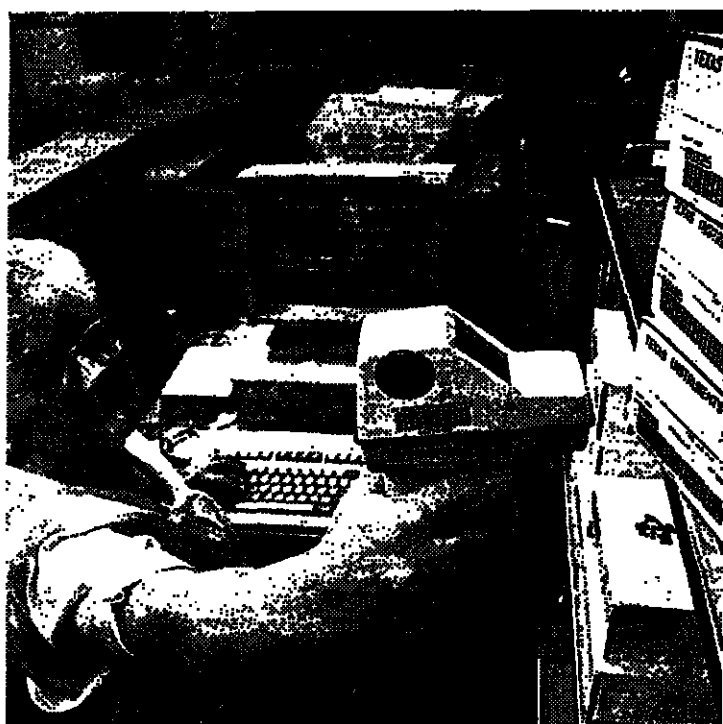
If, for example, it takes a chip user a long time to procure a particular product, or there are delivery problems and product defects upon arrival, it will cost the user that much more to "own" the product.

Contact between suppliers and customers has commonly become more frequent and may embrace discussions of industry-wide issues, rather than just focusing on sales. Says Ken Sanders, general manager of Texas Instruments in the UK: "In the past we would go to see the customer only when we were trying to sell him a product or when something went wrong."

The new-found enthusiasm for listening to customers reflects significant changes in the industry: ● Competition has become so intense that leading companies have been turning to improving customer relationships as an impor-

Chip makers are placing greater emphasis on winning customer approval, says Michio Nakamoto

Building networks



The customer comes first: Texas Instruments' bar-code system in action

tant way of distinguishing themselves from their competitors. Greater global competition has made it difficult for any one company to maintain a dominant position in a particular field for long. While leading-edge technologies and

for a long time we let technology be the differentiator and forgot the fact that customer satisfaction and quality were equally important."

● Chip users increasingly insist that their suppliers meet rigorous demands. Many users, such as com-

'For a long time we let technology be the differentiator and forgot that customer satisfaction was equally important'

puter and consumer electronics manufacturers, are locked in fierce competition and need to respond rapidly to changing markets. For that, they must be sure that their suppliers can provide them with what they need, when they need it.

The old way of doing things was more time consuming and would have meant taking longer to get the product to market. As time to market may mean the difference between winning and losing the product war, customer satisfaction is becoming less an issue of rhetoric and more a matter of survival.

Emphasis on delivery times and product quality has become greater than ever before. While in the past a customer may have expected delivery in a particular week, today the amount of leeway given is limited to one or two days, if not hours.

As a result of the important role their suppliers play in their own success, a growing number of chip users have taken to making stringent monthly assessments of their suppliers on factors ranging from product quality to cost and delivery time, and letting them know how they score on each point.

Semiconductor users also need to have up-to-date information on which suppliers are the most reliable. This is because they want to restrict their dealings to a small group of the best performers, since it is costly and time-consuming to assess a large number of suppliers for each particular project.

Because of the need to disclose sensitive product plans to chosen suppliers from an early stage in the development cycle, users want to know which suppliers are reliable.

● There is some evidence to suggest that working closely with customers leads to greater success and speed in product development.

Some years ago, Motorola, the US semiconductor and communications group, commissioned a study by Jagdish Sheth, a management consultant, who reported that the chances of a product succeeding can be much higher when a customer is involved in the development process. According to Sheth, 65 per cent of products developed with no input from customers fail.

Motorola was encouraged by the study to enter a number of collaborative projects which it believes has enabled it to develop more innovative products and to do so faster than would have been possible on its own.

It has a joint design team with Philips in Eindhoven that has been working on CD-I, the Dutch consumer electronics group's new compact disc-based entertainment system, since it was in the concept stage. Similarly, Motorola has a design team working with British Telecommunications on video conferencing and multi-media.

Says Mike McCourt, Motorola's director of sales and marketing in the UK and Ireland: "In the past we would not have had a dedicated team working for one customer but would have worked to develop a generic product."

The old way of doing things was more time consuming and would have meant taking longer to get the product to market. As time to market may mean the difference between winning and losing the product war, customer satisfaction is becoming less an issue of rhetoric and more a matter of survival.

Juggling careers in the jobs circus

Catherine Milton describes why skilled 'knowledge' workers are best placed to succeed in the 1990s

Highly skilled "knowledge" workers will be well-placed to win the small number of new jobs with prospects in the UK during the rest of this decade. They will be the survivors as people struggle to avoid seeping into the pool of temporary and less-skilled workers in the labour market of the 1990s.

The research, conducted by Professor Amin Rajan and published by the Institute of Careers Guidance and the Centre for Employment Studies, concludes that the scale of new job creation after the recession will be small. About 1.5m new jobs will be created in value-added service occupations, at a time when 1.2m blue-collar jobs will go.

The report suggests the trend for employers to retain a small core workforce complemented by a temporary periphery staff with limited prospects will become even more pronounced.

Skilled knowledge workers at all levels in workplace hierarchies will benefit from this shift at the expense of the less-well trained.

But knowledge workers, the product of the second industrial revolution, are far from ideal employees. They typically attract higher-level qualifications and impressive work experience will be frequently offset by "a high sense of self-worth, individualism, autonomy and enterprise - almost prima donnas - that make them difficult to

manage". Worse still for employers, these people are unlikely to consider loyalty to an organisation as important as loyalty to their "craft" and will move jobs without compunction in search of greater job satisfaction or more money.

Even the most skilled worker is, however, unlikely to survive in the workplace of the 1990s without a talent for juggling "multiple careers" and a commitment to continuous training.

This is because of the link between flexible working and competitiveness. The trend towards teams providing customised services for particular markets will mean those who cannot offer multiple skills will be marginalised in the labour market.

The new jobs are expected to be created in four groups of service industries: more than 240,000 will come from hotel and catering; 400,000 from business services; 650,000 from other services and 670,000-plus from health, education and other public services.

About 200,000 jobs are likely to be shed in primary industries and utilities (for example, agriculture, oil and gas) and about 1m across manufacturing, except motor vehicles. Engineering is expected to lose about 250,000 jobs from a base of 2.4m in 1990. The shift towards white-collar

work will favour women in particular, as will the increase expected in part-time working. Self-employment among both sexes is expected to increase slightly. But the report says: "This does not necessarily imply that the constraints that have hitherto hindered the upward mobility of women in managerial and professional work will weaken."

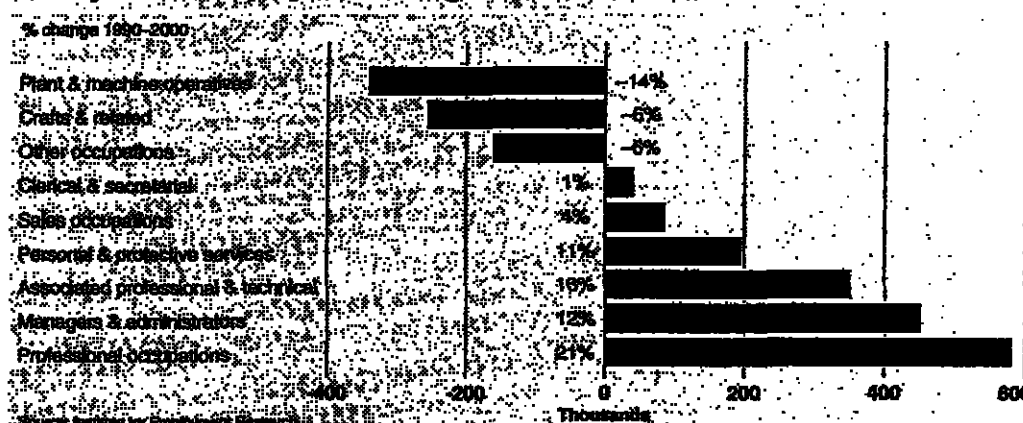
The research suggests employers will keep alive gender stereotypes which have contributed to the segregation of women into jobs with relatively low pay and status, at least in industries providing "personal services" such as hairdressing and hotels.

The report says that five broad occupational groups will grow: technicians, multi-skilled craftworkers, secretarial (part-time), junior clericals (part-time) as well as health and welfare professionals.

Above all, success means staying one step ahead of the market because "the expanding occupations in this decade may well be the contracting ones in the next: who knows?"

***1990s: Where Will the New Jobs Be?** Institute of Careers Guidance, 27A Lower High Street, Sturbridge, West Midlands, DY8 1TA; and Centre for Research in Employment and Technology in Europe, 2 Holly Hill, Vauxhall Lane, Southborough, Tunbridge Wells, Kent, TN11 0XD. Price £12.50.

Occupational employment changes 1990-2000



TRANSMARK

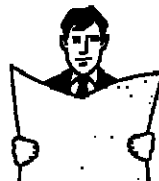
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is considering the sale of its consultancy subsidiary,
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Any party interested in this acquisition opportunity should contact Mr A. D. E. Gardner: Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT. Telephone 071-588 2721 Fax 071-628 2485.

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Notice to the WARRANTHOLDERS of TOA CORPORATION

(the "Company")
Bearer Warrants to subscribe for shares
of common stock of the Company
issued in conjunction with

- (I) U.S.\$200,000,000 3 3/4 per cent. Guaranteed Notes due 1993
(the "Notes 1993")
(II) U.S.\$100,000,000 4 1/2 per cent. Guaranteed Notes due 1995
(the "Notes 1995")

"Adjustment of Subscription Prices"

Notice is hereby given pursuant to Condition 7 of the Terms and Conditions of the Warrants issued in conjunction with the Notes 1993 and the Notes 1995, respectively, that as a result of the issuance of SFR. 50,000,000 2 1/2 per cent. guaranteed notes due November 5, 1996 with warrants by the Company on November 5, 1992 with the initial exercise price per share of Yen 642 fixed on October 22, 1992, being less than the current market price per share of Yen 683.7 as at October 22, 1992, the Company has adjusted the Subscription Prices of the Warrants initially attached to the Notes 1993 and the Notes 1995, respectively, as follows:

- 1) Warrants initially attached to the Notes 1993:
a) Subscription Price before adjustment: Yen 1,301.50
b) Subscription Price after adjustment: Yen 1,238.7
c) Effective Date of the adjustment: November 6, 1992 (Japan Time)
- 2) Warrants initially attached to the Notes 1995:
a) Subscription Price before adjustment: Yen 709
b) Subscription Price after adjustment: Yen 707.3
c) Effective Date of the adjustment: November 6, 1992 (Japan Time)

TOA CORPORATION
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DUE 1997

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March 17, 1993
June 16, 1993
September 15, 1993
December 15, 1993

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SOCIETE GENERALE

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September 15, 1993
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SCOTLAND

The FT proposes to publish this survey on December 11, 1992, from its print centre in Tokyo, New York, Frankfurt, Rostock and London. It will be read by senior business and government officials in 160 countries worldwide. It will also be of particular interest to the 130,000 directors and managers in the UK who read the weekday FT. If you want to reach this important audience with your services, expertise or products whilst maintaining a high profile in connection with Scotland, call Kenneth Smith
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THE PROPERTY MARKET

Under fire from both sides

Landowners and environmentalists object to new rules on contaminated land, writes Vanessa Houlder

Back in 1989, when concern about the environment began to gain a firmer grip on the UK, there was widespread support for new government proposals to identify contaminated land. This was seen as an important step towards protecting future generations from the legacy of the country's industrial past.

But the Department of Environment's first set of proposals, issued in May 1991, were withdrawn after a barrage of complaints from landowners. Now the DoE is fleshing out a second set, and it is once again coming under fire.

One side, the environmental lobby believes the proposed regulations are ineffective. On the other, the business lobby believes they will depress property values, trigger a flood of legal claims and set back efforts to regenerate derelict land. The thinking behind the proposals is that landowners should be held responsible for pollution on their land (even if they did not cause the contamination or if it took place before they owned the land) because the owners would benefit from any increase in land values when it was cleaned up. But in the interest of fairness, prospec-

tive buyers of land should be protected by the provision of information about any contamination.

So far, so fair. But working out the details of implementing these proposals has proved unexpectedly difficult for the DoE (which ironically would see its own headquarters, on the site of a former gas works in Marsham Street, caught in the net of the new proposals).

The problem is that drawing up a precise register of contaminated land, and of what is required to clean it up, would involve extensive testing which would be too expensive and time-consuming. Instead, local authorities are expected to consult old maps and documents to identify areas where there was a possibility of past pollution - a process that will take about 15 months.

The DoE's first set of proposals set out more than 40 contaminative uses that should be registered, including the obvious polluting industries, such as oil refineries and gas works, as well as less obvious candidates, such as dry cleaners and demolition sites. Landowners feared that these proposals would result in registering whole swathes of the country. It was, they said, a case of taking a sledgehammer to

crack a nut.

The revised proposals, circulated this summer, made significant concessions to landowners. They required local authorities to notify owners of the intention to register land and gave owners the right to challenge intended entries. The register will be split into two parts: one to record land which has not been investigated or treated and the second to record land where remedial works have been undertaken.

Most important, the revised scheme reduced the area of land covered by the register to 10-15 per cent of that envisaged by the previous proposals. The list of contaminative uses - which may be extended in the light of experience - is confined to those "where there is a very high probability that all land subject to those uses is contaminated unless treated".

But these revised proposals trig-

'The hard-won success in bringing back development to cleared urban sites will be reversed'

gered just as much complaint as the earlier version. The only consolation for the DoE is that opposition to the proposals has come from both sides of the environmental debate. Environmentalists think the scope of the new proposals is far too narrow. It highlights the government's "out of sight, out of mind" approach to contaminated land, says Friends of the Earth, the environmental pressure group. The Royal Commission on Environmental Pollution says the

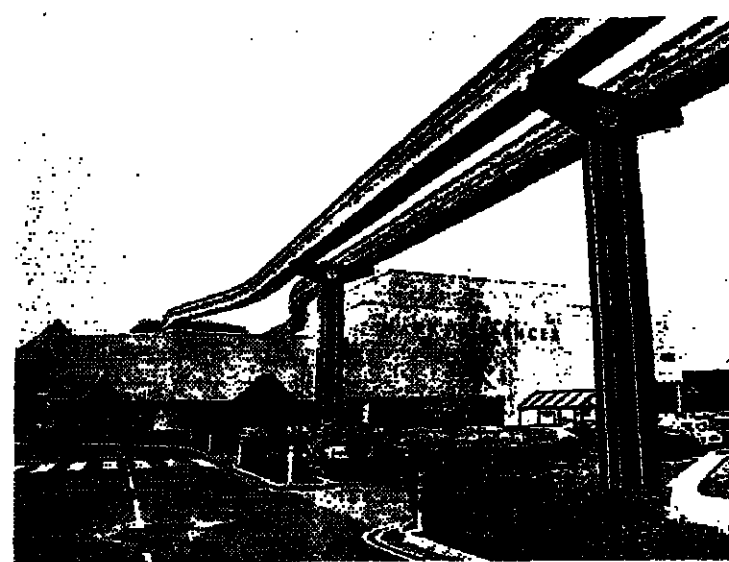
restricted scope of the proposals will be "an obstacle to the difficult task of carrying out remedial work needed to protect water resources from contamination".

But the proposals have come under just as much fire from industry, particularly landowners. The Association of British Chambers of Commerce wants the government to cancel plans for the register, which it says has "serious implications for the economy" because of its likely impact on land values.

The property industry was not impressed by the government's proposal to split the register into two parts. "A two-tier system will not be understood by the public and will simply add to the confusion," says Mr Christopher Jones, president of the Royal Institution of Chartered Surveyors.

Nor did the industry relish the prospect of applying to the local ombudsman or seeking judicial review to challenge the inclusion of their land on the register. "We believe that there should be a suitably qualified inspectorate appointed to deal with such cases and whose powers should be extended to deal with sites included on the register unjustifiably," says Grimley JR Eves, a London-based firm of chartered surveyors.

But the most serious problem for landowners is that contaminated land cannot be removed from the register after it has been treated. The government's logic is, first, that information on the site's history will be necessary when any future change of use is proposed. Second, contamination from the site may have migrated to adjacent sites. Third, treatment rarely removes all contamination, while new hazards may be discovered over time.



Merry Hill shopping centre: the collapse of an agreement to sell it was blamed partly on its likely appearance on a contaminated register

The new proposals will affect houses and commercial property alike. Already, the prospect of the new registers has scuppered deals. The collapse of an agreement to sell the Merry Hill shopping centre in Dudley in the West Midlands earlier this year was partly blamed on its likely appearance on a contaminated register.

The Merry Hill centre is just one of numerous sites in the Black Country, a heavily industrialised area, which will be affected by the new regulations. The Black Country Development Corporation, which is responsible for 10 sq miles between Birmingham and Wolverhampton, admits to "a catalogue of stability and contamination problems, which can have few rivals in the UK and probably further afield". However, the corporation insists

that all these sites can be reclaimed. "It is physically possible to deal with these sites," says Mr John Nicholls, its development director. "The concern is not whether the sites can be physically repaired but the perception of the property industry and the banks."

Indeed, it remains to be seen whether lenders and investors will take a flexible attitude to financing deals on contaminated land. A straw poll conducted by Drivers

Jones, the chartered surveyor in London, found that banks and financial institutions would need a considerable amount of persuasion to fund projects on land appearing on the register. The respondents feared that contamination would spread beyond the site and that the clean-up requirements for land on the register would increase.

If investors and lenders do react in this fashion, it will damage land values and blight land, particularly in the inner cities. Critics, such as the Royal Institution of Chartered Surveyors, detect a certain irony in the publication of the revised proposals on contaminated land in the same month as the Urban Regeneration Agency was launched with a brief to bring development to 150,000 acres of vacant land in towns and cities.

"The recent hard-won success in bringing back some development to cleared urban sites will be reversed," says Mr Michael Patterson, chief executive of the Royal Institution.

The controversy generated by these proposals shows that there are no quick fixes when it comes to cleaning up the country's industrial heritage. Unless the proposals for a contaminated land register are substantially amended, it seems that a heavy price will be paid in an effort to improve environmental standards.

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All necessary information to participate in this tender should be requested by fax or telex, to the following numbers in Mexico City: fax: (525) 254 7608; telex: 1773062 PMITME or 1773513 PMITME; tel: (525) 255 4214. Attn: Mr. Alejandro Marquez y Albo.

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"Il Commissario Straordinario" Dr. Alberto Dondena
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that it is in the interests of the procedure at the present stage to publish a notice of sale in order to carry out a market survey based on the collection of offers and/or declarations of interest

INVITE
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Subsequently "Il Commissario" reserves the right, once he has obtained the necessary authorizations, to carry out direct sales negotiations and/or hold a call for bids.

For any further information or explanation please contact "Il Commissario" at his office in Milan, Via Volturmo, n. 37 - Tel. 02/69001484 - 02/698128 - Fax 02/66803344.

N.B.: This notice has been published in Italian and in English. If there should be any differences between the two texts, the Italian text will prevail.

NUOVA CARTIERA DI ARBATAZ S.p.A.
"In Amministrazione Straordinaria"
"Il Commissario"
Alberto Dondena

GREEK EXPORTS S.A.

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GREEK EXPORTS S.A., registered office in Athens (17 Pnyneion Street) and in its capacity as Liquidator in accordance with article 46a of Law 1892/1990, following the decision of the Board of Directors (Ref. No. 604 of 4.11.1992) of the creditor of para. 1 of the above article, that the offers submitted are not considered to be in the interests of the creditors and in accordance with para. 11 of the same article

ANNOUNCEMENTS
a repeat public tender for the highest bid with sealed, binding offers for the purchase in two of the assets of HELLENIC TEXTILES S.A. registered in Athens at 15 Amaltheia Street. The factory is situated at 54 Kifissos Avenue near the crossroads with Leontomani Street. The industrial complex is built on a plot of land 31,511 m² in area and the buildings stand on an area of 19,383 m² of the plot while the total covered area of the complex is 28,412 m².

TERMS OF THE TENDER
1. For this purpose, interested parties are invited to receive from the liquidator the Offering Memorandum and submit a sealed, binding offer to the public tender appointed to the tender, Mr. Panayiotis Spyridopoulos, 71-73 Acropolis Street, Athens, 7th floor, tel. 30-1-361.1965 up to 10th December 1992 at 1900 hours. Bids must be submitted in person or by a legally appointed representative.

2. The bids will be opened by the liquidator on the 11th December 1992 at 1000 hours with the liquidator in attendance. Bidders who have submitted their offers within the prescribed time limit may also attend.

3. Bids submitted beyond the prescribed time limit will not be accepted and will not be taken into account.

4. The sealed offers must clearly state the purchase price offered for the assets, in toto, of the company, and must be accompanied by a letter of guarantee from a bank legally operating in Greece to the amount of a hundred and fifty million drachmas (150,000,000 drs) or its equivalent in US dollars (U.S.S.).

5. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, indemnities, rights, rights for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal provisions.

6. Prospective buyers, hereinafter referred to as "Buyers" shall be obliged, on their own responsibility and at their own expense, to inspect the assets and to verify their condition, to inspect the object of the sale and to verify their condition and to declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/1990, article 46a, para. 4 as in force, having agreed in writing in minutes of confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

7. Bids should not contain terms which might prejudice their bid or any other matter of importance to the sale. The liquidator and the majority creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bids. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.

8. In the event that the highest bidder fails to appear and sign the relative sales contract within twenty (20) days from being invited to do so by the liquidator, or fails to abide by the obligation arising from the present announcement, the above amount of one hundred and fifty million drachmas (150,000,000 drs) deposited in guarantee, is forfeited in favour of the liquidator to cover all expenses of any kind and those spent, and any actual or hypothetical loss, without any obligation to give an accounting or consider it has been forfeited as a penalty clause, and collect it from the guarantor bank. Guarantees deposited for participation in the tender are returned to the other participants after the conclusion of the tender and the adjustment to the highest bid has been notified by 51% of the creditors.

9. The highest bidder is the person whose offer has been so judged by the liquidator and approved by 51% of the creditors as being in their best interests.

10. The liquidator has no liability or obligation to participants in the tender, both with regard to the drafting of the invitation report and to the proposal of the highest bidder. Also, the liquidator is not liable and has no obligation towards participants in the tender in the event of its cancellation or repetition, if the results should be deemed unfavourable by the creditors.

11. Those taking part in the tender and submitting offers do not acquire any right or claim deriving from the present tender or the adjudication to the highest bidder, against the liquidator and the creditors for any reason or cause.

12. Transfer of shares (taxes, stamp duty, notary and mortgage fees and other expenses for drafting topographical plans in accordance with Law 451/77, etc.) are borne by the buyer.

For any information, interested parties can apply to:
a) The Head Office of E.T.B.A. S.A., Directorate of Public Holdings,
Tel. 30 1 92 94 395 and 30 1 92 94 396 and to
b) GREEK EXPORTS S.A., Tel. 30 1 32 43 111 to 30 1 32 43 115

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PREMESSO

- che è interesse della procedura nell'attuale fase pubblicizzare un avviso di vendita, finalizzato ad un sondaggio del mercato attraverso la raccolta di offerte e/o dichiarazioni di interesse

INVITA

tutti gli interessati all'acquisto del complesso industriale e patrimoniale della Nuova Cartiera di Arbataz S.p.A. in Amministrazione Straordinaria ad indirizzare per raccomandata A.R. al dottor Mario Ventura, notaio in Milano (Milano - Via San Vito n. 18) le loro offerte e/o dichiarazioni di interesse debitamente quantificate che dovranno pervenire in busta chiusa entro e non oltre 20 giorni dalla pubblicazione del presente avviso.

Il Commissario al ricevimento, all'offerta, acquisisce le necessarie autorizzazioni, di avviare trattative dirette di vendita e/o di procedere a gara.

Il Commissario è a disposizione per ogni informazione e chiarimento presso il suo ufficio in Milano, Via Volturmo, n. 37 - Tel. 02/69001484 - 02/698128. Fax 02/66803344.

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LEGAL NOTICES

Non-executive directors



Once Lost City is open, Kerzner intends to focus on Europe where he has said he wants to build an attraction to rival Euro Disney. To strengthen its European operations, Sun has appointed Roger Wharton (left) as European sales and marketing director. With the company for 14 years, Wharton will be based at the European headquarters at Henley on Thames.

gain traction



...way of combating a tendency
to "expend too much energy
running the engine rather than
gaining traction".
Smith, aged 45, was

- Sir Alexander Graham, deputy chairman of Frizzell Group, and Leon Geerlings-Boss, senior vice-president of ABN-AMRO Bank, at EMPLOYMENT CONDITIONS ABROAD.
- Alan Binder, former president of Shell International Trading Company, as chairman of EKPRO INTERNATIONAL GROUP.
- Young-Hye Chin has resigned from PACIFIC HORIZON INVESTMENT TRUST.
- Edwin Clutterbuck has retired from THOMAS WALKER.
- John Walters, formerly director of international operations at Coates Bros, at WOJSTENHOLME BANK.

chairman and chief executive of the management consultancy **Handley-Walker**, acquired by P-E in 1991. He takes over from David Elmore who will take up a new appointment within the group, focusing on major consulting projects and key clients.

Wale, 56, replaces John Platt who is leaving the group. Cox says his intention is to reduce the number of non-executive directors from four to three, leaving a seven-strong main board. He says trading conditions remain tough and that performance over the next six months is hard to predict; order intake, however, has been strong.

way of combating a tendency to "expend too much energy running the engine rather than gaining traction".

Smith, aged 45, was

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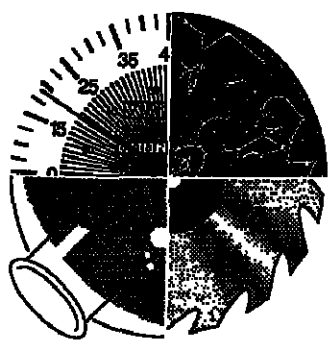
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TECHNOLOGY

Worth Watching · Della Bradshaw



Memo card that takes dictation

Why do the best ideas always emerge when you're in the bath or driving along the motorway, with no scrap of paper at hand to jot them down?

With this in mind, Creative Technologies Marketing, of Douglas, Isle of Man, has developed a voice memo card, the size of a credit card, which can be used for recording phone numbers, messages or simply transient thoughts. Four buttons on the surface enable the owner to record, stop, erase or play back the messages.

The card, which can be kept in a pocket or on the dashboard of a car, uses chip from Texas Instruments to record up to 24 seconds of personal messages, which should hold up to about six messages. The voice memo card will retail at £24.95 from December. Creative Technologies Marketing: UK, 071 266 2263.

Touchy screen under pressure

Companies interested in touch-screen technology but reticent to throw away existing personal computers could find the answer in TouchMate, a two-inch high, pressure-sensitive platform which sits beneath the PC monitor and converts the ordinary PC into a touch-screen model. Developed in the US by Visage, and sold in Europe by Ellinor Technology, TouchMate costs \$850.

When the screen is touched, plates in the platform sense the pressure; from that, TouchMate calculates the location of the pressure. The PC, running Windows software, then carries out the task as instructed.

To install the system the user sits the monitor on the platform and then connects the two via the PC's serial port.

To calibrate the system, the user touches the four corners of the screen. The TouchMate software adjusts constantly to allow for background noise or wobble. Ellinor Technology: UK, 0734 311066; Visage: US, 508 820 7100.

● To save the weary arms of City dealers, Trinitech, of Stamford, Connecticut, has developed a dealing room system incorporating colour touch screens which can sit flat on the desk. The flat screens use the same thin-film transistor technology incorporated in the latest portable computers. Trinitech: US, 203 328 3766; UK, 071 895 1230.

Brighter lights hit the streets

THE flashing yellow Bellsha beacon introduced by UK transport minister Leslie Hore-Belisha in the 1930s has become camouflaged in the high street by improved street lighting, brighter shop fronts and a multitude of advertising hoardings.

To help drivers spot the beacons more easily, Geo Safety Products, of Wokingham, together with ICI Acrylics, of Darwin, Lancashire, have developed a more visible yellow dome to sit on top of the installed poles and bulbs.

The dome uses a luminous pigment which converts the light produced from the 60-watt bulb from the red end of the spectrum to the yellow/green end, making it more visible to the human eye. In addition, the plastic dome reflects the sun's ultra-violet light back as visible light during the daytime, while at night a diamond pattern inside the dome refracts the light for increased visibility. Geo Safety Products: UK, 0734 770473.

Chinese way to sounder sleep

Chinese medical techniques have once again come to the aid of western patients with a pair of disposable, plastic mini cones to help insonnias sleep.

The Isocones are stuck by adhesive plaster to an acupuncture point on the inside of each wrist. Find the correct spot, say distributors Sea-Band, and golden slumbers ensue. Sea-Band: UK, 0445 251 007.

Karl Krapek apologises for the noisy air conditioning in the office in Connecticut from where he runs Carrier, the \$4bn (£2.6bn) heating, ventilation and air conditioning (HVAC) equipment subsidiary of United Technologies (UTC).

"It's not one of our systems," the chairman, president and chief executive of the world's largest HVAC company hastens to add. But Krapek, who displays a daunting grasp of all the issues and statistics in a complex, fast-changing industry, will not let it distract him from his task - nothing less than beating the Japanese.

"This is one of the last planned experiments to see if a US company with a global product can maintain leadership against the Japanese," he says ambitiously. "We're sitting here 92 per cent bigger than Matsushita (in HVAC), and my job is to ensure that 20 years from now - whoever's sitting in my chair - we're still there."

After Carrier, which has 11 per cent of the world HVAC market and accounted for about one fifth of UTC's \$20.8bn sales last year, Japanese companies rank second to eighth with a combined 45 per cent share. And while HVAC may not be able to match UTC's Pratt & Whitney jet engines and Sikorsky helicopters for glamour, there is plenty at stake.

Carrier expects the world HVAC market to grow by more than 65 per cent to \$40bn by the end of the century, paced by growth in the Pacific Rim but also by expansion in Europe - which is emerging as the key global battleground. The prices are higher and the market is far less mature than North America. On top of that are the untapped opportunities in eastern Europe and

Andrew Baxter on what happens when innovation is put on ice

A chilling experience

the former Soviet Union.

At the same time, the industry - one of the world's big users of ozone-damaging refrigerants - is having to face the cost of responding to environmental pressures by adapting or even redesigning its product ranges.

For all these reasons, Krapek wants Carrier to be financially stronger. "Our profits have been too low over the past couple of years to even threaten the survivability of the company," he says, "and I don't want to go to UTC for investment dollars."

Up until 1988, it looked as if Carrier, whose founder William Carrier gave birth to the air conditioning industry, was playing right into the hands of its newer Japanese competitors. Carrier made his first sale of "Apparatus for Treating Air" in 1904, and the company has by far the broadest product range in the business, from small window-mounted room-conditioners to huge chillers for office blocks and shopping malls.

But in the mid-1980s, it was underspending on technology,

under-using the potentially significant benefits of learning from its UTC sister companies, and - by viewing air conditioning as a commodity product - had lost its focus on customer service.

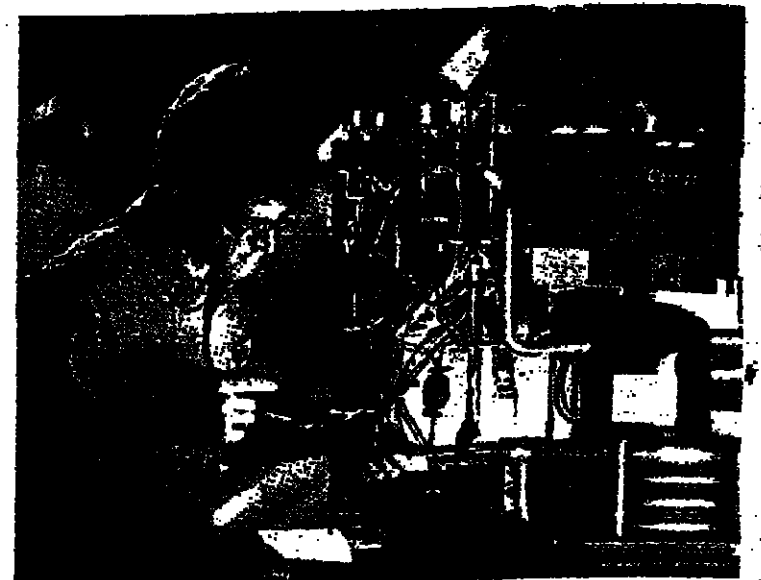
As a result, Carrier let its Japanese rivals steal a march on product features and innovation at the smaller end of the market. The venerable US company lost eight points of North American market share from 1985 to 1991.

The fight back began in 1988, when George David, the senior UTC executive who had oversight of both Carrier and Otis Elevator, decided that technology in the air conditioning industry did matter.

William Wilson, Krapek's predecessor at Carrier, set in train a recovery strategy, while Krapek joined Carrier from Otis in September 1990 and has had the difficult task of implementing the strategy.

He established six core technologies - heat transfer, compression, air management, refrigerants, indoor air quality and variable speed electronics.

In compression technology - a key area as the compressor can



Catching up: Carrier has increased both R&D expenditure and productivity

account for one-third of the cost of smaller units - Carrier has leaned heavily on Pratt's expertise in the development of a new range of efficient "scroll" compressors, which have hitherto defied attempts to manufacture them economically.

Elsewhere, manufacturing techniques are being modernised, reducing floorspace and raising productivity. In Europe, Carrier's three main factories in France, Spain and Italy are taking responsibility for different product lines, and the Italian plant near Milan is half way through a \$60m programme to reduce manufacturing costs.

To help catch up with the electronics expertise of Japanese rivals such as Toshiba, Krapek has hired Gerald Wilson, former dean of the Massachusetts Institute of Technology, to be Carrier's head of engineering. Overall, Carrier's annual

research and development spending has risen from 1.6 per cent of sales in 1989 to 3 per cent.

The results are beginning to come through, but it will be a long process. "You don't take big companies like these and fix them in two years," says Krapek.

Last year, Carrier's pre-tax return on sales was a meagre 1 per cent, but, says Krapek, Carrier ought to be up to around 6 per cent by the end of the decade, and in any case needs to get up into the 4-5 per cent range quickly.

Looking ahead, one analyst says, "raising margins to 5-6 per cent ought to be achievable," and Krapek himself feels comfortable with his targets. "I know where the waste is, where the inventory is, where the lead times are still too long, and where we still have the wrong products."

Firing shots at the influenza virus

A shot in the arm could prevent a week in bed according to the proponents of influenza vaccinations. But in the UK, this particular dose of preventive medicine has found few takers in the corporate world.

Of the 4m to 4.5m doses of 'flu vaccines administered in the UK this year, most will be to elderly people or others at high risk - those with breathing difficulties, for example.

Yet vaccination at £5 a dose could, in many cases, save a company major disruption and a temporary staff bill of hundreds of pounds, should the virus strike.

One theory as to why 'flu vaccinations have been overlooked in corporate Britain is that the drug com-

panies are geared up to selling to family doctors or hospitals, not corporate medical departments.

But companies that do offer vaccination have often found little interest from employees. Individuals are often sceptical about whether vaccinations work and many have painful memories of 'flu jabs in the past.

As to the latter, manufacturers scoff. Gone are the days when the vaccine was given on a Friday afternoon so that employees could recover over the weekend - outside office hours, says Tom Dick, marketing director at Merieux UK.

The latest vaccines are surface antigens where the parts of the virus that promote the immune response are extracted for use. Whole cell vaccines, where virus

cells are killed to produce the vaccine, are also used.

As to the efficacy of the vaccines there is widespread debate. The Department of Health claims that 70 per cent of people who have the vaccine will be able to shrug off the virus. More important, the vaccines are more than 90 per cent effective in preventing the life-threatening complications associated with 'flu, such as pneumonia.

The problem, says Douglas Fleming, director of the Birmingham Research Unit of Royal College of General Practitioners, is that people want complete immunity following vaccination. "Because 'flu is such a common disease a lot of people who have been vaccinated will still get the illness," he says.

One reason for this failure is that the virus changes as it spreads. As a result, says Mike Herby, medical affairs manager at Evans Medical, part of Medeva, manufacturers are always chasing the disease. The vaccine to be administered in the autumn has to be prepared over the summer months following recommendations by the World Health Organisation in February.

The WHO tracks the spread of viruses from the Far East through Australia and the US, in order to guess which vaccine strains will give best protection against the illness in western Europe. This year the three strains recommended are the same as last year - A Singapore, A Beijing and B Yamagata.

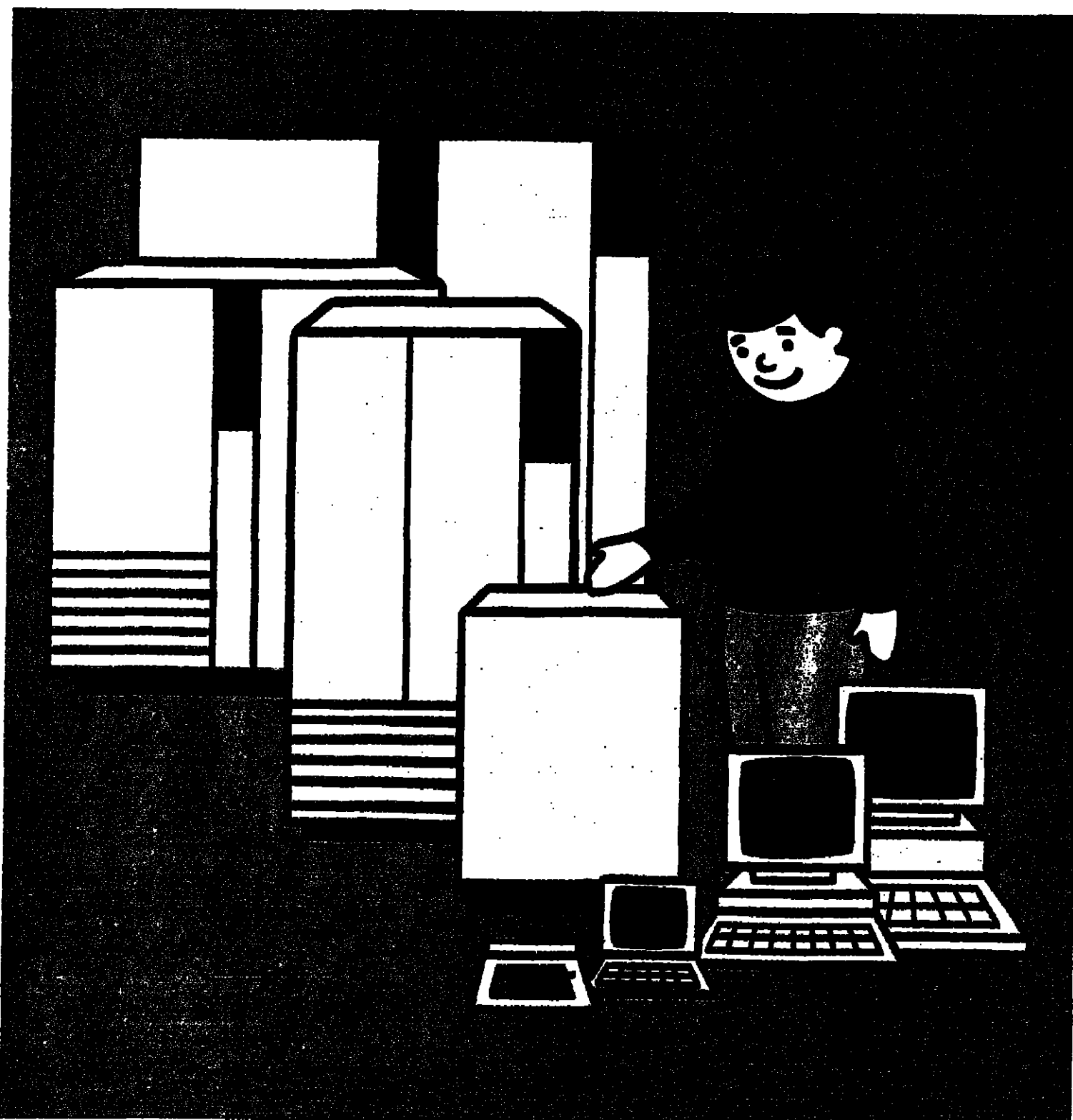
The chances of catching 'flu if not

inoculated are impossible to calculate. The WHO and the drug makers admit themselves at a loss when predicting severe 'flu attacks, although the A strains are more serious than the B strains.

One reason for this difficulty is that once every 10 to 20 years the virus, instead of altering character as it spreads, changes its character quite radically. This altered strain of virus catches the medical world unprepared and can result in thousands of lost working hours and even deaths. That said, even in winters where the incidence of the virus is low, between 3,000-4,000 deaths are attributed to 'flu in the UK alone.

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Large Tang-style glazed ceramic figure of an exemplary Buddhist, 907-1125

Gateway to the Orient

The story of the Joseph E. Hotung Gallery of Oriental Antiquities, unveiled this week at the British Museum, has already entered museum folklore. Hotung, an international businessman from Hong Kong, collects Chinese antiquities, particularly jades. On every trip to London Hotung would go to peer at the BM's exceptional collection of oriental antiquities on the first floor gallery of the King Edward VII wing.

In this vast, gloomy space, following the path of stray sunbeams used to be the only way to get a good view of the objects. Finally, Hotung told Jessica Rawson, Keeper of Oriental Antiquities, he would like to pay for new lighting. Rawson's opportunistic reply was, why not a total face-lift? Thanks to Hotung's gift of £2m, the process is complete whereby the unfrequented north entrance to the Museum has become a true gateway to the East. On the ground floor, Islamic art occupies the intimate, ravishing John Addis Gallery; two floors up is the sparsely elegant Japanese gallery. In between is the Joseph E. Hotung Gallery of Oriental Antiquities, a survey of the arts of China, South and South-eastern Asia from Neolithic times to the modern day.

Few galleries in the world can hold a candle to the new Hotung gallery for visual impact - quite apart from the inextinguishable fascination of its contents. Sir John James Burnet's original design, completed in 1914, was very grand although savaged by decades of vandalism. Now again visitors see a clear vista down the centre of this immense pillared room, 110 metres long. Natural light enters each side through tall windows of frosted glass.

A colour scheme of white and gold may sound rather *de trop*, but the Japanese trick of not burnishing the squares of gold leaf means the walls provide a discreetly shimmering background for the gold and brass treasures from a thou-

sand temples. The original mahogany cases still frame each bay, only now they are superbly lit so that one sees from one case through to another, the objects seeming to float in space.

There are even more objects on view than before. Around 30 per cent of the display comes out of storage. For curators of earlier generations (and in some museums the attitude still prevails) gaudily jewelled trumpets from Tibet would seem out of place beside the classically construed excellences of oriental art.

Labelling in the Hotung Gallery is enormously kind to beginners, yet not condescend-

Patricia Morison
admires the new
Hotung Gallery at
the British Museum

ing. The logic of the arrangement is strong, otherwise such quantities of stuff, ranging from jade hair-pins to temple doors, could only give the most internal indignation. Extending through the eastern half is China, presided over by the famous glazed statues of temple guardians and virtuous monks. Around the walls, a chronological display emphasises the immense antiquity of Chinese civilisation and the sophistication of its artifacts, but also points to the underlying philosophical and religious ideas. In an inspired stroke, we are given extracts from love poems and laws. In 1050 BC, a Zhou emperor is reminded that "being king, he must not use extermination as a punishment to control the people".

In the second half of the gallery the single greatest theme must, of course, be the exploration of Buddhism and Hinduism. A sense of order and intellectual rigour is abruptly displaced by the swaying forms of incredibly sensual beings, those "much maligned monsters" who so shocked and baffled Europeans in their early

encounters with the temple art of Southern Asia.

And that leads to the extraordinary finale. Through glass doors, we glimpse great carved rosettes, the stylised lotus-flowers so ubiquitous in oriental art from India to China. These once stood as railings to a vast, now devastated Buddhist stupa (a monumental shrine housing relics of the Buddha) in Andhra Pradesh which was embellished with the most elaborate and accomplished sculpture of its age.

For the first time in 40 years, the sculptures of Amaravati can be seen. Pollution was eating into these extraordinary limestone carved slabs, 100 of them which were brought to this country in the last century. A gift from the Asahi Shimbun newspaper, already a generous benefactor to the BM, has paid for an air-conditioned room so that these massive reliefs could be raised from the basement - no small feat.

We now discover Indian sculpture from the 1st and 2nd centuries AD so powerfully inventive that these carvings must rank beside the Assyrian reliefs and even the Parthenon frieze, as one of the British Museum's greatest possessions. Of course, one visit will not be enough to work out what is going on in these scenes. Yet even one visit is enough to reveal the skill of these sculptors, above all, their ability to convey a narrative of the life of Buddha even in the most crowded scenes.

In languid courtly entertainments, large-breasted women strike postures which to this day are learnt by Indian classical dancers. What measure of grace would have derived from the half-naked female musicians who, seated cross-legged with their lutes, are straight out of his harem fantasies. The opening of the Hotung gallery is an event truly worth trumpeting. Nothing less than a new vision of the arts of the Orient awaits the British Museum's admiring public.

I very much admire Phoenix Dance Company. The troupe emerged a decade ago from the inspiring dance teaching offered by two schools in Leeds, Harehills and Intake - have other educational authorities absorbed the message about serious training in an art as a way of realising youthful potential? - and its original complement of five young black men soon won public and critical acclaim. The company expanded, acquiring five women, official subvention, and the appurtenances of success. It retains, though, the freshness and vigour, and the physical distinction, which it had from the very first.

As an ensemble of dancers it must be ranked very high for the rhythmic alertness, the fine flash of step and limb, the clarity of its dancing. Though

Ballet/Clement Crisp

Phoenix Dance Company

the repertoire has, from the first, been uneven - and sometimes dire - Phoenix style has come to the rescue. Returned for a brief season to Sadler's Wells this week the company is in magnificent form, albeit its repertoire has a somewhat reach-me-down air.

The best piece is Aletta Collins' *Gang of Five*, made for the men of the ensemble. The choreography is very natty in suits and the right trimmings for a business interview, even down to gold-rimmed spectacles. There seems a double theme: about conformity - the gang will not tolerate deviation from the sartorial code - and (with the appearance of a man

dressed in rather more hip gear, with dreadlocks) about what young black men are expected to wear. I don't think either of these ideas matters much. What holds us enthralled is superb physical statement by the cast: hair-trigger reactions; lithe, brilliant steps; and a subtle expression of feeling. They are all fine actors as well as fine dancers.

The company's dramatic powers rescue an entirely rapid work, *Family* by Daniel Shapiro and Joanne Smith, where the dancers perform acrobatics on, over, around an armchair. The playing is warm, funny, ebullient; the

piece is none of these. Nor is there much to commend in Bebe Miller's *Spartan Reels* save the fact that its brings Phoenix dancers on stage. Its manner is bland, but Phoenix's artists pan for gold, and find some nuggets. I was bewitched by one girl in the troupe - the programme was absolutely no help in identifying the dancers - who just had to dance, and did so with the most enchanting humour.

The programme is completed by Philip Taylor's *Saved Space*, which was on view in last year's Wells season, when it boasted a handsome back drop by Norman Perryman. It

has an air of faintly dubious religiosity - a seance where the medium has been at rather different spirits than those coming through from "the beyond" - but it gets heart-whole performance from its cast.

The evening suggests how expert the company is at making dance bricks with very little creative straw. As an ensemble it is most gifted. Its repertoire, as I noted last year, needs to rise to the level of the dancers' artistry. I would love to see them challenged by great choreography, by revivals of major dance pieces. They merit nothing less than the best.

Phoenix Dance is at Sadler's Wells until November 14. The company is sponsored by Yorkshire Television

Theatre/Alastair Macaulay

An Ideal Husband

There is not one cabinet minister's wife that should not rush along to see this play. It would be better yet if their husbands would accompany them - but are they men enough to take it?

Wilde's 1895 treatment of political corruption and cover-up - as exposed and handled at home - returns to the London stages at so ripe a moment that its audience gasps at the nerves it touches. Not that *An Ideal Husband* is scathing. On the contrary, it is so morally pellucid, and so witty, generous and humane, that it might well reduce our political masters to embarrassed tears.

Sir Robert, the blackmailed hero of the piece, is, in fact, placed by Wilde under a light less searching than is his wife, Lady Chiltern. An idealist, who thinks her husband ideal, then rejects him bitterly when she finds he is not. A character closer to Ibsen than any of Shaw's heroines - close to Trollope, too - she has to learn to live in a world that is not ideal but real. It is Wilde's genius that he sets the problems of this basically serious, seldom humorous, couple amid all the glittering repartee and

banter of high society. *An Ideal Husband* is a brilliant comedy, and it keeps revealing the deep seriousness on which high comedy is constructed.

Peter Hall's staging is excellent, alert to the full dimensions of the play, and with uncontentious but elegant designs by Carl Toms. There are flaws, and no wonder: *An Ideal Husband* keeps up so perpetual a juggling act between frivolity and profundity that even its smaller roles are exquisitely difficult to play.

Take Martin Shaw, who plays Lord Goring, the endlessly amusing aesthete who saves the Chilterns' marriage - surely the play's hardest role. He has the authority to convey the moral seriousness behind the dandy's facade. Yet he radiates not only self-satisfaction but also affection. It is a pity that, in his effort to resemble Wilde himself, Shaw demonstrates a hitherto unsuspected likeness to Ken Dodd.

The great performance in this staging comes from David Yalland as Sir Robert, who shows all the role's ambition, gravitas, and torment to perfection. His wordless gasps are as memorable as his deep-bari-

tone voice. There is a frigidity in his wife that Hannah Gordon misses. Her Lady Chiltern is handsome, rigorous, self-assured and surprisingly forceful. She is at her best in the final act, when her reconciliation with her husband is movingly and delicately negotiated.

Though Anna Carteret could be more dangerous and more natural as the anti-heroine Mrs Cheveley, she wields every scrap of sensual elegance in her armoury to fine effect. Dulcie Gray plays Lady Markby with hilarious brusqueness. Unfortunately, Michael Dennis - never a convincing actor - dreadfully overdoes Lord Caversham's bluff-but-charming-old-codger humourlessness.

Victoria Hasted brings off Lady Mabel, Sir Robert's sister, very well; but to play this role as a bespectacled, nasal, energetic hoyden is an amusing mistake. Wilde's stage directions compare her to both a flower and a Tamara statuette. But nothing in this production, thanks to Peter Hall's grasp, diminishes the scope of this enthralling play.

The Globe Theatre



Anna Carteret: sensual elegance as Mrs Cheveley

Music/David Murray

Ivo Pogorelich

On Tuesday, the Croatian pianist Ivo Pogorelich donated his services for a benefit recital "in aid of Historic Sites of Dubrovnik" under the auspices of the International Monuments Trust, Croatia Appeal, and supported by the International Council on Monuments and Sites UK. Graciously, the Royal Festival Hall was packed out.

A brilliant but wilful artist, Pogorelich was on his best behaviour, grateful that the first half of his announced programme was replaced by completely different music: one had been looking forward to his *Skyrman* op. 32. Best behaviour, however, is not the same thing as best form. Though I last heard him banging away unmercifully at Schumann in the Barbican, he has since then recorded Chopin's Preludes with astonishing imagination and extreme technical finesse. Here, his Chopin (replacing *Skyrman*, Mozart and Brahms) was in complete control in its way, but distinctly tame.

The opening of the big C minor Nocturne was superb and unexpected: a suspended hush, with beautifully liquid basses under a poignant singing line. For the "poco più lento" middle, Pogorelich chose to move much faster, and the grand reprise was decorative rather than cathartic. The late Nocturne in E was similarly gracious, content to display a fastidious surface, and much the

same could be said of his B minor Sonata - plenty of gentle feeling, little dramatic stress or electricity, even in the harried finale.

After the interval he addressed himself to Ravel's *Valses nobles et sentimentales*, with intriguing results. There was a plethora of swooning rubato, of spiky staccato when the music predates the opposite, of shy counter-melodies so spottily as to hide the main tunes. It was for just such idiosyncrasies that Ravel denied his old friend and champion Ricardo Viñes the premiere of everything he wrote for the piano after *Gaspard de la nuit*, from the *Valses* onward. Yet Pogorelich administered so much character of his own, consistent and vivid, that it would have been pedantic to reprove.

He played Rakhmaninov's rhapsodic B-flat minor Sonata in the familiar, pointlessly truncated version. (Not by a long way the best of Rakhmaninov, the piece nonetheless deserves to keep its original proportions.) As sheer piano playing it was constantly fascinating, but no larger vision imposed itself. So too with his encore, Balakirev's *Isle-moy*: it was sensorially swift, accurate and quite without physical thrills. At the inspired modulation at the start of the reprise, which is arguably the master-stroke of the piece, Pogorelich clattered heedlessly straight through.

'Tender is the North'

With royalty and prime ministers in attendance, and the trumpeters of the Welsh Guard sounding the opening fanfare, the Barbican festival devoted to the arts of the Nordic countries received on Tuesday its grand ceremonial launching. It continues until mid-December, and shows a boldness of imagination in the planning that makes event after event a mouthwatering enticement. The umbrella title - "Tender is the North", a Tennyson quotation that sounds like a play of words on Scott Fitzgerald - is a misjudgment, and its subliminal reference to Scandinavian art has caused irritation to those countries (Finland, Iceland) not part of Scandinavia; but in general the series deserves to win the warmest of welcomes.

Whether the first two concerts, by the Oslo Philharmonic, offered the most substantial way of launching the series is an awkward question. The orchestra, under its conductor Mariss Jansons, has developed into an ensemble of first-rate quality: that much had become clear in its previous visits and was amply confirmed. But the programmes, whose high points were fresh, impassioned, alertly balanced and often thrilling performances of a Russian symphony (the Rakhmaninov Second, on Tuesday) and a Russian ballet score (*The Rite of Spring*, on Wednesday), can hardly be said to have made an unimpeachably powerful state-

ment of the Nordic musical aesthetic. The problem was, also, the contemporary Norwegian work chosen - in principle, absolutely correctly to fill out the programmes. Nothing is flatter, staler and less profitable than the modern-music fashions of yesterday; and both Arne Nordheim's *Tenebrae* (1982) for cello (the excellent young Norwegian Truls Mørk) and Olav Anton Thommessen's 1986 Concerto for synthesiser and orchestra seemed on this evidence to contain no more than their debts to international musical fashion.

The collo essay, written for Rostropovich, meanders on in elegantly etiolated style, contemplating a handful of "frozen North" musical clichés a good deal more seriously, and lengthily, than one felt they deserved. The synthesiser concerto, for twiddly soloist and thump-thump accompaniment, merits a kindly veil of obscurity drawn over its state-of-the-art banalities; in comparison the Grieg piano concerto (with Leif Ove Andnes at its exquisitely poetic soloist), sounded positively Biblical in profundity. On now to the Nielsen and Sibelius cycles, the complete *Peter Gynt* and *Saul and David* in concert, and all the other genuine Nordic riches.

Max Loppert

Sponsored by Statoil, BP Exploration and Alliance Gas (Tuesday) and The Thomas Cook Group (Wednesday)

INTERNATIONAL ARTS GUIDE

Richard Strauss' opera *Die Frau ohne Schatten*, which opens at Covent Garden on Monday, is already being described as London's biggest art event this month: the set designs are by David Hockney. It is the first time Hockney has worked for the Royal Opera.

The designs were commissioned by the stage director John Cox, whose previous work with Hockney provided Glynedebourne with two of its most visually memorable productions of the past 20 years - *The Rake's Progress* and *Die Zauberflöte*.

In creating the prototypes for the full-scale sets, Hockney worked directly onto models in his Los Angeles studio: first a small 1:25 scale model on which to work out ideas, then a large model at 1:8 scale which incorporates a sophisticated lighting console and into which figurines are inserted.

Using a range of lighting

possibilities and figure positions on stage, Hockney produced a video synchronised with a recording of the opera. Both the video and the model have been used in London to create the sets.

Die Frau ohne Schatten is a co-production with the Los Angeles Music Center, where it will be seen next September. The London performances (Nov 18, 20, 23, 25, 28) are conducted by Bernard Haitink, and the cast includes Gwyneth Jones, Anna Tomowa-Sintow, Jane Henschel, Paul Frey and Franz Grundheber.

EXHIBITIONS GUIDE

AMSTERDAM
Rijksmuseum Chiaroscuro Woodcuts: Hendrick Goltzius (1558-1617) and his time. An exhibition of colour woodcuts, highlighting a less well-known facet of the great Dutch draughtsman and engraver. Ends Jan 10. Closed Mon.

BALTIMORE
Walters Art Gallery Ottocento: Romanticism and Revolution in 19th century Italian paintings. The first US survey of 19th century Italian art for 50 years, with more than 100 paintings by 70 artists, reflecting the tensions and conflicts that arose out of Italy's struggle for unification. At least 80 per cent of works in the show have not crossed the Atlantic before. Highlights among the Romantic paintings are Giacinto Gigante's *Tempest in the Gulf of Amalfi*,

Giovanni Fattori's *Garibaldi at Palermo* and Gaetano Previati's *Paolo and Francesca*, with the Realists represented by Odoardo Borrani's *The seamstresses of the red shirts*, Giuseppe Pellizza da Volpedo's *The procession* and Boldini's *James McNeill Whistler*. Ends Jan 2. Closed Mon.

BARCELONA
Museu Picasso Picasso: the Ludwig Collection. A set of 180 paintings, drawings, sculptures, ceramics and engravings, belonging to Peter Ludwig, the German collector and researcher into Picasso's work. Ends Jan 31. Closed Mon (Carrer Montcada 15-19).

DETROIT
Institute of Arts Watson and the Shark: an exhibition based on the painting by colonial American artist John Singleton Copley (1738-1815) depicting the dramatic rescue of a 14-year old from the attack of a shark in Havana harbour. Preparatory sketches, two large versions of the painting and engravings by earlier artists are included. Ends Jan 3.

DRESDEN
Zwinger French porcelain in Dresden. During a visit to Paris in 1809, August 1st of Saxony received as a gift from Napoleon a collection of French imperial porcelain, about 50 pieces of which have survived in reasonable condition. These include vases, portrait busts and a dinner service. Ends April 16. Closed Fri.

Albertinum Jacques Callot: an exhibition marking the 400th anniversary of the birth of the etcher from Nancy. Ends Jan 10. Closed Mon.

JERUSALEM
Israel Museum British Figurative Painting of the 20th century: 80 works, including many from the 1930s collection, ranging from Sickert to the work of young contemporary painters such as Tony Bevan and Celia Paul. The core of the exhibition consists of works by British artists who emerged in the 1940s and 50s, including Auerbach, Bacon, Freud and Kossoff. Also represented are Sutherland, Hockney, Stanley Spencer and Paula Rego. Ends next March.

LEIPZIG
Museum der bildenden Künste Rolf Szymanski (b1928): sculptures and drawings by the Leipzig-born artist now based in Berlin. Ends Jan 17. Closed Mon.

LONDON
National Gallery Edvard Munch: *The Frieze of Life*. Coinciding with the Barbican's Festival of Scandinavia, this exhibition reassembles the sequence of works which the Norwegian painter created on the universal themes of love, anxiety and death. It comprises 85 paintings, including celebrated paintings of the 1890s such as *Jealousy*, *Vampire* and *The Scream*, plus related brothel paintings of the 1900s. Advance booking through First Call 071-497 9977. Ends Feb 7. Daily.

BARBICAN BORDER CROSSINGS: 14 Scandinavian Artists, including works by Munch, Strindberg, Carl Fredrik Hill, Asger Jorn (1914-1973), Per Kirkeby (b1938) and Finnish and Icelandic artists. Ends Feb 7. The Concourse Gallery displays the work of one of Norway's best known artists, Frans Widerberg (b1934), and of four Icelandic photographers. Ends Dec 15. Daily.

Design Museum *Alles in the same battle*: Scandinavian design in Britain 1930-70. Furniture, textiles, lighting products, ceramics and glass tracing the influence of Scandinavian style on design and consumer taste in Britain since the 1930s. Also New Directions in Scandinavian Design. Ends Feb 28. Closed Mon.

Bernard Jacobson Gallery Stanley Spencer (1891-1959): *The Nature of Heaven*. A mixture of the familiar and unfamiliar drawn from the oeuvre of the Cookham visionary, including some of his underrated landscapes. Ends Dec 5. Closed Sun.

Agnew's *Barbizon at L'Ecole de la Nature*: paintings and pastels by masters of the Barbizon school. Ends Dec 18. Daily.

Courtauld Institute *Mexican Prints of the 19th Century*. Ends Dec 20. Daily.

Tate Gallery *Grand Manner* Portraiture in Britain from Van Dyck to Augustus John. Ends Jan 10. Also *The Painted Nude*. Ends Dec 27. Also Turner's *Use of Perspective*. Ends Jan 31. Daily.

MOSCOW
Kremlin Bellry The World of Fabergé: a collection of the famous Easter eggs, plus a wide selection of work by other Russian jewellers from the turn of the century. The exhibits are surrounded by period costumes and photographs, and the show is to last till January.

NEW YORK
Museum of Modern Art Matisse. Ends Jan 12. Closed Wed (Admission by timed-entry tickets: call Ticketmaster 212-307 4545).

Metropolitan Museum of Art *Ribera*. Ends Nov 29. Masterworks from Lille: 100 paintings and drawings from the Renaissance to the 19th century, including works by Rubens, Goya, Delacroix and others. Ends Jan 17. Closed Mon.

Brooklyn Museum Max Weber: *The Cubist Decade 1910-20*. A travelling exhibition of 50 paintings and works on paper by Max Weber (1881-1961), one of the first American artists to explore Modernism. Ends Jan 10. Also Frederic Bazille (1841-1870): 60 paintings and drawings by a precursor of the Impressionists who died tragically young in the Franco-Prussian War. Ends Jan 24. The museum's collection of 58 Rodin sculptures has been reinstalled. Closed Mon and Tues.

PARIS
Grand Palais Picasso et les Choses. Ends Dec 28. Closed Tues, late opening Wed (ave du General Eisenhower).

Musée d'Orsay *Sisley*. Ends Jan 31. Closed Mon, late opening Thurs (qual Anatole France) Petit Palais French drawings of the 18th century, including works by Fragonard, Watteau and Vien. Ends Feb 14. Closed Mon (ave Winston Churchill).

Louvre Pannini (1691-1765): painter of town perspectives and chronicler of ceremonial festivities. Ends Feb 15. Also Drawings by Liotard (1702-89). Ends Dec 14. Closed Tues (Pavillon de Flore).

Champs Elysées Fernando Botero: outdoor monumental sculptures, plus pastels, drawings, watercolours and small sculptures in Didier Imbert Gallery (19 ave Matignon, closed Sun and Mon). Ends Jan 30.

WASHINGTON
Wetherholt Gallery Tony Lawrence: one-man show by the contemporary British artist. Ends Nov 30. Closed Mon (3050 K St. N.W.).

Corcoran Gallery *A Century of American Prints and Drawings 1860-1960*, drawn from the permanent collection. Ends Jan 31. Also Archibald Motley: paintings chronicling the life of African Americans in Chicago during the 1920s and 1930s. Ends Jan 3. Closed Mon.

National Gallery of Art Ellsworth Kelly (b1923): 40 paintings dating from his early years in France. Ends Jan 24. Also Art of the American Indian Frontier: 150 objects produced by Woodland and Plains Indians in the 19th century. Ends Jan 24. Daily.

FINANCIAL TIMES

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Friday November 13 1992

France dreams of Emu

BRUISED but not beaten, the French franc has survived the currency turbulence of recent weeks. Yet while French authorities' commitment to maintaining the franc's parity with the D-Mark may be strengthened, it is still far from secure. With luck and co-operation from its partners, France can avoid a devaluation and progress towards its favoured goal of a European monetary union. But getting from here to there will be a hazardous trip.

The franc looks to be out of the woods, at least for the moment. Having depreciated to a low of DM3.426 in the week after the French referendum, the recent weakness of the D-Mark has allowed the franc to climb back towards the centre of its band while the Bank of France has recovered the reserves it sold to defend the parity.

Yesterday's decision by the Bank of France to cut its intervention rates by a further quarter of a percentage point reflects this recovery. Short-term money market interest rates have already fallen by more than 5 percentage points since their September high, easing the pressure on the French banking sector. Long-term interest rates have also fallen sharply, reducing the yield differential with Germany back to the levels before the Danish referendum.

Yet the French economy still has the growth cards stacked against it. At 9.4 per cent, French short-term interest rates remain painfully high. Low French consumer price inflation means that in real terms these interest rates represent a vice-like grip for consumers and industrialists. Moreover, this fall in short-term inter-

est rates - by more than a percentage point since the summer - masks the tightening in the overall monetary stance that has occurred as a result of the depreciation of the lira and sterling. The franc, despite the dollar's recent strength, has still appreciated on a trade-weighted basis by 5 per cent since the first half of the year.

German interest rates still hold the key to French monetary policy. The likely tardy easing from the Bundesbank, in the face of persistent German government inertia, will hold French interest rates high, while deepening Germany's impending recession. The resulting slow growth, rising unemployment and political discontent in France remain the biggest threat to the franc's future. Consumer and business confidence have sunk over the summer as growth has dwindled. Finance minister Mr Michel Sapin remains emphatically committed to the policy. But as next spring's election looms, the pressure for lower French interest rates will grow.

Little wonder that Mr François Mitterrand is annoyed at Britain's go-slow policy on Maastricht. A shift to narrower currency bands within ERM might reduce French room for manoeuvre, as would confirmation of the independence of the Bank of France. But neither is likely to allow French interest rates to fall below Germany's. A single currency is the best answer to France's current monetary powerlessness. A northern currency area, including the ERM countries but without southern Europe, looks the likeliest route. Britain may well choose to exercise its opt-out on Emu. But first the UK must opt in to Maastricht.

Trial in Berlin

THE FORMER state of East Germany was a sham. In 1990 this apparent bulwark of Euro-Stalinism collapsed, as its people discovered they could have democracy (and D-Marks) without Soviet intervention. Yet it was a sham in which West Germany, and the western community, acquiesced. Mr Erich Honecker, the former East German leader, believed that Germany would have to remain divided, at least for a couple of generations, in the interest of European and world security. This was not a particularly edifying view. But it was, in a curious sense, a comforting one - to many Germans, as well as to the world outside.

Mr Honecker, though rigid, was a man with whom one could do business. Chancellor Helmut Kohl demonstrated this when he welcomed the communist leader to Bonn in 1987. Transcripts released since show that, after lecturing Mr Honecker about the shooting of Germans killed attempting to flee westwards, Mr Kohl discussed with his guest improvements in tourism and town twinning.

Mr Honecker is now an 80-year-old pensioner dying of cancer. His trial, on charges of ordering the manslaughter of some of these unfortunate would-be escapees, started yesterday in Berlin. The proceedings serve several different purposes. As Germany struggles to heal the wounds of the past and meet the challenges of the future, it is necessary that desire for justice should not become entangled with a search for scapegoats and revenge.

The outcome of the trial will

Overloaded Bank

WITHIN THE Group of Seven industrialised countries, the Bank of England is *sui generis*. Perhaps surprisingly, in the light of its historical role in the development of central banking practice, it enjoys less formal power and influence in the conduct of monetary policy than most of its peers. Yet its activities over the past decade have extended way beyond monetary policy and banking supervision to such diversions as coxing the Stock Exchange into the modern world and helping rescue industrial companies from oblivion. Against the background of Britain's ignominious departure from the ERM and the Bingham report's criticisms on BCCI, the Bank's unusual combination of interests looks striking. Could Britain's postwar failures of monetary policy and banking supervision owe something to a conflict between these diverse roles?

The range of the Bank of England's activities lay outside Bingham's scope, which no doubt explains why there is no more than a passing reference to such conflicts in the report. Yet it is hard to believe that the culture of the institution could be unaffected by its top executives' preoccupa-

tion with the competitiveness of the City of London. Much of London's competitive edge in the European time zone derives from the Bank of England's open-door policy to foreign banks and, in earlier decades, its light regulatory touch. Yet BCCI cried out for just the opposite treatment. To expect central bankers to wear kid-gloves in one department, while turning abruptly adversarial in another, looks an admirable recipe for supervisory failure.

The question of whether monetary policy and banking supervision should be combined in the same institution is more difficult. Some central bankers argue that if they are required to act as lenders of last resort, they must be allowed to play a part in supervising the banks. Others claim that the lender of last resort function is incompatible with their anti-inflationary mandate. The noteworthy point is that the US Federal Reserve and the Bundesbank, which are not directly responsible for supervision, have much better records on inflation than central banks with a wider remit. All of which underlines the case for a far deeper review of the roles of the Treasury and the Bank.

UK earnings are rising more slowly than at any time over the past 25 years; average settlements in the private sector are starting to fall to less than 4 per cent; and labour militancy is virtually non-existent. So it may seem odd that public attention is now focused on Britain's "pay problem".

But there are several grounds for concern, in both the public and private sectors. For a government determined to hold down public expenditure without hitting services or jobs too hard, the squeeze on the public sector's £80bn pay bill, announced yesterday, was probably unavoidable.

The decision to restrict all public sector pay awards to an upper limit of 1.5 per cent is not legally binding but the government can impose it directly on 3m of the 5m public sector workers and most of the rest are expected to follow suit.

There will, however, be serious reservations about brushing aside the labyrinth of systems for determining pay in the public sector, and fears that, after several years of peace, public sector pay tensions are being stored up for the future. As one local government negotiator said yesterday: "The problem is not going into squeeze; it's coming out of them."

It was precisely to avoid disruptive legs and surges in public sector pay that so many groups - including civil servants, nurses and teachers - were granted special pay-setting arrangements which connect their wage rises to pay trends in the private sector.

Some Whitehall officials are also worried that the government's interventionism may be undermining its own drive to introduce more decentralised, performance-related, methods of pay setting, similar to those used in the private sector.

It is not clear what will now happen to pay in National Health Service trust hospitals or opted-out schools, but it is almost certain that the performance-related pay schemes accepted reluctantly earlier this year by teachers and civil servants will become more difficult to apply.

Yet if the public sector squeeze does have the added effect, as the government hopes, of further restraining private sector pay awards, it will have achieved something important.

For, despite decentralised and performance-related pay, the private sector has not yet delivered the wages discipline that was hoped for by the government. Moreover, Britain's withdrawal from the European exchange rate mechanism on September 16 has raised fears of further backsliding.

In the short term, so long as economic recovery remains sluggish and inflation does not take off, that is unlikely. But it is vital that the fruits of the devaluation which has occurred since Black Wednesday should fall to profits, investment and thus job creation, and not to wage increases for those already in jobs.

Since the pay boom of the late 1980s, led by the better paid, wage rises have been falling. But it is difficult to identify how much of the credit lies with ERM membership and how much with recession.

Although, crucially, the effects of ERM membership on pay bargaining were never tested in an upturn, ERM supporters argue that, by locking in low inflation and preventing employers being bailed out by devaluation, the psychology of wage inflation was being broken.

But the Confederation of British

David Goodhart looks at the prospects for UK wages after the government's adoption of a more stringent approach

Public pay feels the squeeze

Industry's excited claims over the last few months about breaking the "inflation-plus" mentality - in or out of the ERM - is premature. About three-quarters of all pay settlements in the three months to September provided for increases above inflation - currently 3.6 per cent.

The CBI's own figures for manufacturing wage increases show a rise of 4.2 per cent for the third quarter of 1992, virtually the same as for the last quarter of 1991. Productivity increased during that period by 2 per cent, but this was almost entirely owing to job cuts. Moreover, the average earnings figures for the whole economy, announced yesterday, showed a rise of 5.5 per cent over a 12-month period in which inflation has averaged just less than 4 per cent.

In recent years the lowest growth in real wages came in 1988 and 1990 when inflation took off, briefly, catching many pay bargainers by surprise. Conversely, the strongest real earnings growth came in the mid-1980s, when inflation was relatively low. Real earnings growth in the past year was lower than it was then, but is still nearly 50 per cent above inflation.

So, should there have been a squeeze or freeze on pay in both the public and private sectors, as suggested by local government employers and some speakers at this week's CBI conference?

Mr David Layton, an expert on wage bargaining and founder of Incomes Data Services, the pay research group, suggests that, as it is easier to get agreement on the timing of pay increases than on their size, all employers should postpone pay increases by three months whenever they arise over the next year. This would have the effect of implementing a pay freeze for three months.

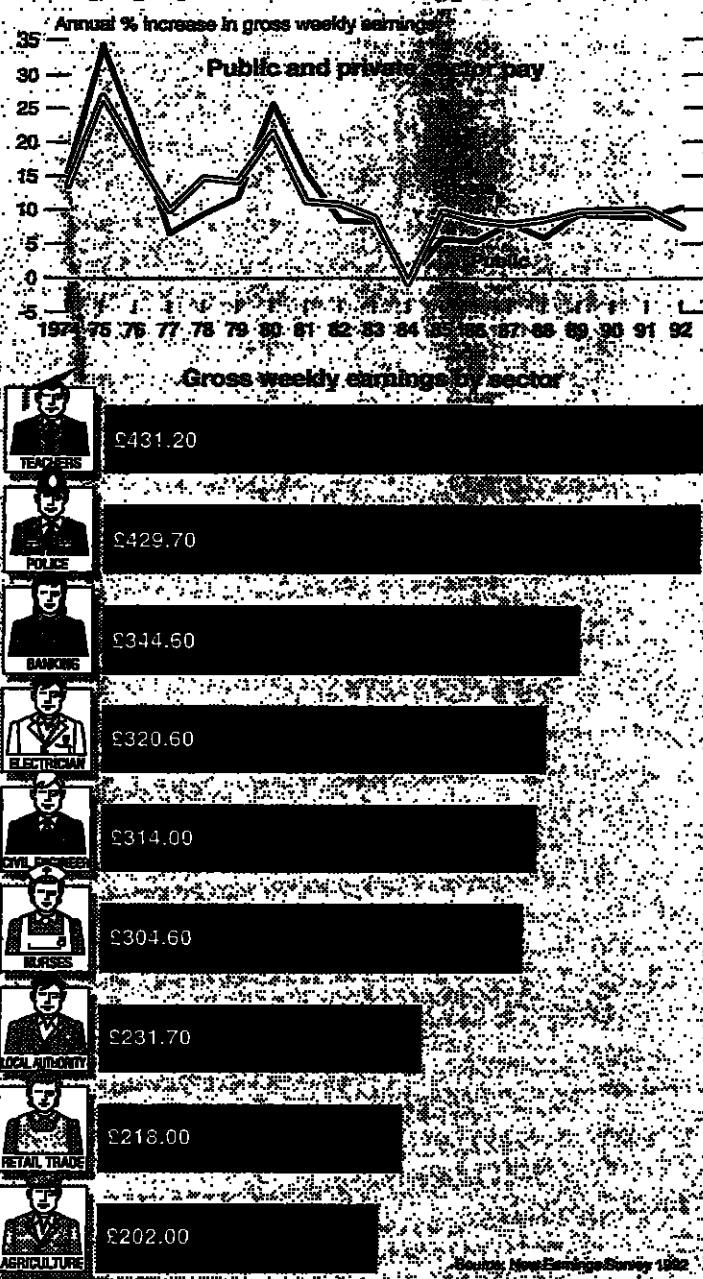
A government which has always set its face against repeating the incomes policy experiments of the 1970s was unlikely to find that an attractive option. In any case Britain no longer has the institutions to enforce such a solution, even for the sake of investment-led growth and job creation.

Coming a week after the 20th anniversary of Sir Edward Heath's failed freeze on pay and prices, yesterday's overt pay squeeze in the public sector is clearly embarrassing enough for the government.

Apart from its clear need to control public sector spending, it justifies its targeting of the public sector by arguing that job security, despite recent shake-ups, is still far greater than in the private sector. More important, public sector pay has recently been increasing at a much faster rate than in the private sector.

Between April 1990 and April 1992, public sector pay rose 21 per cent, while private sector pay rose

UK pay: private versus public sector



14 per cent and inflation rose 11 per cent.

But comparing public and private sector pay is a complex matter. As Mr Bill Brett, general secretary of IPMS, the civil service union, says: "Public sector pay follows a similar cycle to that of the private sector but with a lag. By suppressing the second part of the pay cycle where public sector workers catch up, the government will create disparities in pay which will require resolution at a later date."

According to Mr Chris Trinder, of the Public Finance Foundation, pay rises in the public and private sector have roughly matched each other over the past 20 years. But he points out that within that span it

is very easy to "prove" that private has outstripped public, or vice-versa, by careful selection of the year taken as the starting point.

Comparing actual pay, as opposed to pay rises, in the public and private sectors is even more messy. According to official statistics average pay in the public sector is again higher than that in the private sector, as it was, surprisingly, every year from 1973 to 1986.

Pay analysts are quick to argue that adjusting for the structure of employment - which means allowing for the fact that there are proportionately more white-collar workers in the public sector - the private sector does better, at least for men.

Average gross weekly pay for male manual workers in the public sector in 1991-92 was £258.70 compared with £270.50 in the private sector. For male white-collar workers the gap is slightly greater, £388.10 in the public sector and £405.40 in the private sector.

On the other hand women workers and the low paid generally do better in the public sector, especially now that some of the lowest-paying jobs have been contracted out, and particular groups like nurses have shot up the pay league.

Whatever the overall justice of temporarily suppressing public sector pay, the way the government proposes to do it is bound to be seen as unfair by those in the public sector who have been doing less well. In the current year, for example, local government manual workers received a rise of 4.1 per cent compared with 9.5 per cent for teachers.

The local government employers, worried that a two-tier public service pay league has emerged, with their own manual workers at the bottom, will at least be relieved that the government is excluding no special groups, like firemen and policemen, from the squeeze.

When the squeeze begins in earnest next April, with the next public sector pay round, local authorities are likely to follow the government's guidelines and cut pay rises rather than services and jobs.

The greatest protests yesterday came from the *de facto* suspension of the pay review bodies, especially that for the nurses, and the special pay formula for firemen. But despite public sympathy towards nurses, it is unlikely that the trade union movement will be able to put itself at the head of another span of protest, similar to that over pit closures. As one senior union official admitted yesterday: "With anxiety over job security as bad as it is I doubt we will see much protest."

The government also emphasises with some justice, that restraint on pay feeds directly into preserving or creating jobs, especially in local government and the NHS. However, the IPMS argues that a shift to capital spending, which is less labour-intensive than current spending, could have a negative effect on total employment. Assuming a saving of £1.8m on the public sector pay bill, it estimates that more than 200,000 jobs could be threatened.

Pay freezes in the private sector have never covered more than about 10 per cent of settlements but a few high-profile freezes now would certainly help the government's cause - and they may be coming. Workers at Rover and many GEC plants have accepted freezes with little complaint, and at Rolls-Royce the unions agreed to extend a freeze from six to nine months in exchange for no redundancies.

The Trades Union Congress is unlikely to make a similar offer at national level, partly because it is formally committed to free collective bargaining but also because it does not trust the government to deliver its side of a bargain on jobs or helping the low paid.

Yet no formal pay squeeze has ever worked without union support, and the TUC will certainly be doing its best to make sure that public service workers claw back as much as they can in 1994-95. That pent-up wage pressure could coincide with a strongly recovering economy and rising inflation to produce a dangerous cocktail by that time.

PERSONAL VIEW

An American parallel

By Ray Calamaro

"It's remarkably brief and simple," a senior European Community official told me. He was talking about the 10th amendment to the US constitution, one of the reference sources consulted by the European Commission as it tries to frame a workable doctrine of subsidiarity. "Perhaps," mused the official, "life was simpler then too." Perhaps, but no one should think that the US had an easier time agreeing its constitution than Europe seems to be having with the Maastricht treaty.

The similarities between 1992 and 1789 are striking: individual states are loosely bound together but recognise they must forge a stronger union, especially for commerce and security; representatives of the 12 states (Rhode Island did not send a delegate to Philadelphia in 1787) meet and sign a historic document which, if ratified, will create a new union, under that union each state remains sovereign except for those specific powers given to the union, and in those instances the union's authority is supreme; the new document requires ratification by the states; a raging debate ensues where a central issue, sometimes clearly stated but as often not, is local control versus central authority.

The American experience seems to be relevant in many ways. We too found the process of creating a union difficult and painful. The Constitutional Convention worked from February to May 1789 to produce a document that was argued over and modified during that hot summer. In September the constitution was sent to the 13 states, only nine of which were required to ratify. Eight months and three weeks

passed before the ninth state, New Hampshire, ratified, and even then the other four came along as well. The smallest, Rhode Island, displaying the spirit of today's Denmark, was last to approve.

During those tense months, the outcome was far from certain. And even then, 10 new amendments to the constitution - known collectively as the Bill of Rights and intended to clarify and establish the rights of individuals *vis-à-vis* the state - were adopted two years later. A charter with 10 new amendments may seem soft concrete for a foundation, but there have only been 16 more amendments during the two centuries that followed.

Like the EC in 1992, the US in 1789 was divided into large, powerful states and smaller ones which feared being dominated. In 1789 it was four large and nine small; in 1992 it is five large and seven small. The US constitution is filled with devices sought by the smaller states to provide protection from the power of larger ones. Likewise, the question of big-versus-small states has arisen at important moments during the debate on Maastricht. The young US faced immediate growth, as the EC does now. Vermont was the first of the 37 new states to join after the original 13. The EC has applications for membership from Finland, Sweden, Austria and others, and it may quickly grow from 12 to 16, with more later.

The most important parallel with today's Europe is that Americans who favoured union had some very powerful opponents within the 13 states. Alexander Hamilton knew that if he lost one of the big four, the constitution could fall to serve its purpose of unifying the young nation. New York (with the then capital of the US, New York City) was uncertain at best. The governor of New York, whose name happened

to be Clinton, was a powerful and wily opponent.

As an American who imported his US-made car to Brussels, eats his salad first and prefers dry martinis to dry Sancerre, I have been accused of excessive patriotism. But though I am as proud as a Little League father of my country's birth in 1776 under the Articles of Confederation and "rebirth" in 1789 under our constitution, I must admit that what Europe is now doing is perhaps, given the centuries of history with which Europe must contend, even more impressive.

There are many other comparisons that might be drawn, and history can be retold to prove almost anything. The point, however, is that the hardest work is not in drafting a constitution but in getting it approved. No American knew if the constitution would be ratified, and many doubted it. Indeed, one retrospective measure of greatness among our founding fathers is the skill they showed in arguing for ratification and winning over those who threatened to oppose.

This is why the great American historian Clinton Rossiter called the Federalist Papers - a series of essays published in 1787 and 1788 by Alexander Hamilton, James Madison and John Jay, which forcefully advocated the case for ratification and drove much of the debate - "the most important work in political science that has ever been written, or is likely ever to be written, in the US".

History suggests the game in Europe, far from being over, may just have begun. Those who ask where are the heroes who will unify Europe should wait a while; their question may soon be answered. The author was US deputy assistant attorney-general for legislative affairs, 1977-79.

SUN HITS EARTH!



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An editorial comment on yesterday's Autumn Statement appears on page 9.

Bitter enemies become grudging partners

Despite continuing animosity between China and Taiwan, bilateral economic ties have grown rapidly, says **Angus Foster**

Eight years ago, when political tensions were high and China's economic reforms scarcely under way, the special economic zone of Xiamen booked 10 telephone calls a month to Taiwan, 200km away. Today, calls are averaging 60,000 a month and rising.

In 1987, when Taiwan lifted martial law and eased some restrictions on dealings with China, fewer than 7,000 Taiwanese visited the mainland. Bilateral trade, which can legally be conducted only through third countries, was about US\$1.5bn (\$877m). This year, with rules on investment in China slowly being relaxed, more than 1m Taiwanese are expected to visit. Bilateral trade through Hong Kong alone is likely to exceed \$60m, while the total, including smuggling, will be closer to \$10bn.

Taiwanese light industrial and processing companies, faced with rising wages and costs at home, have probably invested more than \$30bn in China in the last five years. About a third has gone into the city of Xiamen and Fujian province and about the same is invested in Guangdong and Shenzhen, China's most advanced special economic zone, across Kowloon Bay from Hong Kong.

This explosion of economic activity has helped lift average wages in Xiamen 10 per cent per year since 1987. Taiwanese electronics, toy and garment factories are springing up in and around Xiamen and along the Fujian coast. In some areas, more than a quarter of workers are employed by Taiwanese companies.

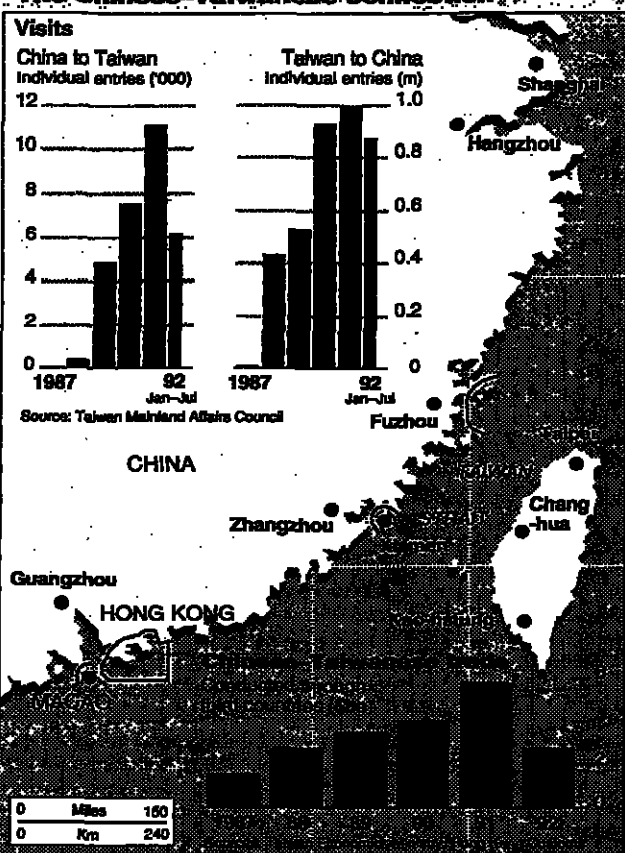
Xiamen now resembles Shenzhen five years ago. Similar problems, such as gambling, prostitution and corruption, are also emerging. But most Xiamen residents seem to welcome home their Taiwanese *longhai*, or compatriots, who share language and often kinship ties.

Each morning Chinese peasants, often brought to Xiamen from poorer inland provinces, file through the gates of the Xinglin Taiwanese investors zone. Takamisawa Electric (Taiwan), which started trial production of magnetic components earlier this year, employs about 70 young Chinese women on a production line with machinery mostly imported from Japan.

Mr Lay Chuanlin, who moved to Xiamen from Taiwan to manage the factory, says labour costs are about a tenth of those in Taiwan and productivity is surprisingly high. By next year the company intends to add another three production lines and employ 1,000 workers.

Although Taiwan's growing

The Chinese-Taiwanese connection



involvement in Fujian mirrors Hong Kong's development of Guangdong since the early 1980s. Taiwanese companies face different problems. China still regards Taiwan as a renegade province. It refuses to recognise Taiwan's government and has not renounced its threat to use military force to reunify Taiwan, especially if the island declares independence.

These political concerns pose a host of problems and suggest moves towards closer economic integration will be erratic at best. For example, neither side

recognises the other's legal system so no investment protection guarantees are in place. Bans on direct shipping and air links and restrictions on direct investment and banking also add to businesses' costs.

These are acceptable risks for low-cost manufacturers, who may face going out of business if they stay in Taiwan. Their average investment is less than \$10m and some are also speculating on rising land prices. Machinery, which has sometimes already been fully depreciated, can be moved to China, where low wage and land costs allow healthy margins even after the

government fears China is gaining a significant indirect influence over its economy. Changes in China's economic policies, and its trade disputes with the US, will now affect Taiwan for the first time.

Taiwan's ruling Kuomintang party has tried to stop large-scale investments in China by reviewing them on a case by case basis. Defence industries will not be allowed to leave, and strategic industries such as petrochemicals and cement are being encouraged to invest in special preferential zones in Taiwan. "Whatever our businessmen do on the mainland, their roots should remain in Taiwan," said Kuomintang spokesman Mr James Chu.

So far the government has had mixed success. It claims it persuaded *Formosa Plastics*, Taiwan's largest private company, to cancel plans to invest in Xiamen. In fact *Formosa* probably delayed because China had not agreed to its conditions. Other large companies, such as food manufacturer *President*, are investing throughout China, and government officials admit privately they cannot stop businessmen for long. "Taiwan is meant to be a free country," one said.

The Taiwanese government therefore seems to have decided its ban on direct shipping, air and postal links is its best chance of limiting investment. China wants the ban lifted to increase investment and push reunification one step closer. But Taiwan wants to keep maintaining the ban, which is perhaps its only hope of squeezing concessions from China in the future.

Meanwhile, China seems unwilling to play its own trump card - removing the threat of force. Mr Chen Kongli, director of Taiwan research at Xiamen University, said Taiwan had to make concessions before the threat would be lifted. "China's government also sees the threat as a way to suppress Taiwan's independence movement," he said.

Taiwan's Straits Exchange Foundation, set up to discuss issues such as document verification and trade disputes with the Chinese, complains that each time progress on improving the relationship between the two sides has been close, China has raised unacceptable demands on sovereignty by claiming there is only one China, thereby negating Taiwan's existence.

The problem became urgent earlier this year when three Taiwanese managers were arrested by Chinese police following a fight at their factory. They were later released without charge. "Legal protection of Taiwanese people and property remains very tenuous," said Mr Chen Rong-jye, secretary-general of the SEF.

Political concerns suggest moves towards closer economic integration will be erratic at best

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LETTERS TO THE EDITOR

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Property right for pensions

From Mr Patrick J Bushnell.
Sir, Lex ("Dividend deficit", November 9) may have missed a point when it suggested that in a weak dividend environment mature pension funds might switch from equities to bonds. In recent years property has been either overlooked or treated with suspicion by the pension fund industry.

Current property yields are at an all-time high, at 9.9 per cent as measured by Investment Property Databank. Property now offers higher income returns than long-dated gilts (8.7 per cent), UK base rates (8 per cent) and very substantially higher-than-average dividend yield (4.6 per cent).

There are, of course, the justifiable arguments of oversupply in some instances and that much of the property market is overvalued - that is, let on rents that are higher than current rental value - and that values are still falling. This may well be true in some parts of the market, most notably London offices. However, there are significant proportions of the property market away from London where property is not substantially overvalued and still offers strong income returns.

In due course there will be prospects for rental and capital growth re-emerging as the economy recovers to add to the attractions of this market. Patrick J Bushnell, managing director, Touche Renmant Property Services, Marmar House, Riddle Dock, London EC4

Investment in equity at heart of industrial regeneration

From Mr Geoffrey Maddrell.
Sir, We read with interest your brief report ("Call to double share sales duty", November 10) that the National Association of Estate Agents is recommending the doubling of stamp duty on the transfer of shares on the basis that "share ownership is a luxury, not a necessity".

It seems that the association has totally failed to understand the fundamental issue facing Britain and the economy, namely industrial regeneration through investment in productive industry to lead the way out of recession and to ensure we have companies able to

compete effectively with the best in world markets. Such investment has to be funded; we have learned from hard experience of the dangers of relying totally on bank debt.

Accordingly, what the National Association of Estate Agents fails to understand is that investment in equity, and thereby share ownership, lies at the heart of out industrial regeneration. Geoffrey Maddrell, chief executive, Proshare, Library Chambers, 13-14 Basinghall Street, London EC2V 5BQ

In the US, real Republicans prefer to drink red wine

From Mr Doug Henwood.

Sir, In one of your articles on this stupid US-EC trade war ("Wine importers see risk of going into the red", November 7), your correspondents Alan Friedman and Louise Kehoe declare that "US white wine is a more palatable alternative to European whites than is US red wine". If this represents official Bush administration reasoning, then it's yet another reason to cheer its forced retirement come January. If it represents your correspondents' opinion, then I can only assume that deadline pressures prevented them from researching the matter adequately. The

pain of living in a weak-currency country would be even more intense than it is already if the US didn't produce excellent red wines.

My own guess is that the Bushites consider white wine ideologically suspect, the preferred beverage of intellectuals, aesthetes, vegetarians, women and liberal democrats. By contrast, real Republicans drink mainly reds with their blood-rare steaks.

Doug Henwood, editor, Left Business Observer, 250 West 85 Street, New York, NY 10024

A medium-sized answer to costly legal fees

From Mr J Goulding.

Sir, There was a phrase concerning the computer industry to the effect that nobody had ever lost their job by buying IBM. I was reminded of it when reading your article concerning London lawyers' fees ("Business and the Law", November 10). I think it is accepted that for many years lawyers in the big City firms have enjoyed substantial incomes and charged large fees. The fault does not lie with the lawyers but with clients who have used their services,

whether or not they were the right legal animal for that particular company or task.

As a partner in a medium-sized commercial practice, I am delighted to say that our experience is that more and more businesses are appreciating that a good quality legal service can be provided without going to a big City firm. While there is no doubt that some legal tasks should be done by such organisations, it is also clear that there is a whole range of legal problems and needs which can be served

both more efficiently and cheaply by other legal practices.

Those that are currently moaning as to the cost of lawyers in the big City practices should consider whether it is in the interests of themselves and their shareholders to use the range of legal services open to them and vote with their feet.

J Goulding, Tuck & Mann, 16 Quarry Street, Guildford, Surrey GU1 3UY

Proclaiming devotion, but not bothering to read

From Mr Edward Crawford.

Sir, The apparent approval of the government for the construction of the Jubilee Line extension reminded me of Adam Smith's wise words: "The proud minister of an ostentatious court may frequently take pleasure in executing a work of splendour and magnificence such as a great highway... But to execute a great number of little works [that] have little to recommend

them but their extreme utility, is a business which appears too mean and paltry to merit the attention of so great a magistrate. Such works are almost always entirely neglected." (*An Enquiry into the Nature and Causes of the Wealth of Nations*, Book V Chapter I, Everyman edition p217).

Meanwhile the excellent comprehensive school (listed by you last week) where my wife works is falling down and in urgent need of rebuilding while the wretched Conservative council is at its wits' end for money.

It seems such a pity that, as with the poll tax fiasco, those shallow politicians who proclaim their devotion to the master do not actually bother to read his works.

Edward Crawford, 2 Burnham Way, Ealing, London W18 5YD

Sign of moral bankruptcy

From Mr Bernard A Webb.

Sir, E N Addison's summary (Letters, November 12) - "put your country first and forget your high principles" - of your November 10 leader ("The Matrix case") undeniably states the moral bankruptcy of a generation of trade-at-any-price conservative politicians, of whom Alan Clark, former trade minister, is only one unusually honest example.

Mr Addison is clearly a member of the club: "... things have come out which would have been better left unsaid. Would he make the same assertion to the Matrix Churchill defendants?" Bernard A Webb, Reichensteinerstrasse 42/4, 4053 Basel, Switzerland

Hard to get a decision out of anyone

From Mr Richard R Dolphin.

Sir, I run my own business. If a decision is required, I have to make it. Unless the matter is problematical, I make it there and then. I have come to the conclusion that British business employs people who, however estimable their business administration degrees and all the rest, lack any ability to make decisions at all.

● We have a new hypermarket which just been opened here by one of our premier companies. Three weeks ago I called and asked if it could let me have some empty boxes. The perfectly polite middle management member to whom I spoke was quite unable to make a decision.

In the end I wrote to the company chairman - a decision was made.

● A few days ago I called a big international brewer in the Midlands and asked a question. The person to whom I spoke was quite unable to decide to whom I should address it.

● Shortly after, I called at the Courage Berkshire Brewery and asked if it could supply me with something I wanted for a charitable purpose. The person to whom I spoke (who displayed an interest in the matter which could not have been measured on any known scale) was quite unable to make a decision and made the absurd suggestion that I wrote to him about it.

As William Brown said, "stagnation."

So, I decided to write to you about the apparent inability of British business people to make decisions about anything. They should be taught how to do so. Richard R Dolphin, Puchenters, West Hatch, Taunton, Somerset TA9 8RJ

OBSERVER

Nuclear affront

■ A particularly dirty little fight is going on in one corner of the great battle to save the UK coal industry. The combatants are Nuclear Electric, the state-owned utility which operates 12 nuclear stations in England and Wales, and PowerGen, one of the two big privatised generation companies. It started when Ed Wallis, PowerGen's hard-knuckled chief executive, suggested that the best way to boost demand for coal-fired power was by shutting down NE's ageing Magnox reactors.

Outraged noises emanated from NE's headquarters in Gloucester as Bob Hawley, the newly appointed chief executive, roared into action. He fired off a letter to Wallis, pointing out that he had got all his sums wrong. "We believe this is a time for a balanced and statesmanlike approach, not for mischievous proposals and statements without a basis in fact," he boomed.

But there was nothing very statesmanlike about NE's subsequent tactics. Discreet notes were circulated to the press pointing out that PowerGen was importing coal, burning the "dirty fuel" orimulsion, and had been censured by the electricity regulator for "abusing" its dominant market position.

NE even dug up a 1975 note in which Wallis, then manager of Oldbury nuclear power station, "emphasised the future benefits of nuclear power and also the possible consequences (eg the cost of alternatives) if nuclear power were not developed in future years".

Roughing up

■ Which is worse, being mugged on Rio's Copacabana beach or sailing the next 8,500 mile leg of the British Steel round-the-world

yacht race? At least Adrian Donovan, the 34-year-old skipper of Heath Insured, has had first-hand experience of the first. Four local lads carrying knives attempted to relieve the gentle giant of the sea of his wallet while he was out training the other day. Fortunately the six foot three Donovan, who shouts like Hornblower, did not have to make a claim on his C E Heath insurance policy and the muggers came off worse.

Let's hope that Donovan and his crew, who are definitely first division racing material, fare as well over the next couple of months on the Hobart leg of the race. The FT's top yachtie, for one, is glad that he doesn't have to sail it.

Mountain time

■ The final hours of poor old Dan-Air were not as trouble free as first thought. Observer hears that it was touch and go right up to the end whether Dan Dare, as it was affectionately known, would arrive safely inside the British Airways corporate hangar.

Admittedly, it would have been out of character if there had not been some last-minute delays. The deal was supposed to have been signed off on Friday November 6. By 3.30 the next morning, the



"I only joined the Church to meet girls"

signs on the Gatwick check-in desks were being changed from Dan-Air to British Airways. However, the deal had still not been signed and the nervous lawyers ordered the Dan-Air staff to put back their signs and return to work.

It turned out that the last piece in the deal's jigsaw lay in the hands of a Californian bank, which had to agree to the transfer of an aircraft lease. Trouble was, the bank's executives were communing with nature and each other, but not the outside world, in tents in the Sierra Nevada mountains. A fax machine was back-packed into the wilderness and the deal was concluded at 12.21 pm on Sunday.

Under dogs

■ The South African Parliamentary XV versus a combined House of Lords and Commons XV - Kick-off 10.30 at Richmond College - should be an entertaining curtain-raiser before tomorrow's Anglo-Bear clash at Twickenham.

Of course, there won't be any blacks in the South African squad - they still aren't represented in parliament - but it is otherwise

a commendably catholic affair. Even the ANC, through Rob Haswell, MP for Pietermaritzburg South, is represented. Nic Koornhof, MP for Swellendam, says the spirit in the team is good - better than in parliament.

"The only area in which we might have a few problems is on the right wing. There were no volunteers from the Conservative Party," quips Koornhof.

As with the Twickenham battle, the South Africans face an uphill struggle. Their best hope would seem to lie in spirited coach Theuns Stoffberg, a formidable Springbok loose forward of recent years, onto the pitch.

Moving target

■ Thriller writer Ken Follett is a master of surprise. He may be a staunch supporter of Britain's Labour party, but he was also a big fan of maverick Texan Ross Perot's presidential ambitions.

It has to be remembered that Follett wrote *On the Wings of Eagles*, the true story of how two employees of Perot were rescued from Iran during the 1979 revolution. During the campaign Perot was handing the book out like a calling card.

Follett was also in the vanguard of the opposition to Rupert Murdoch's takeover of his publisher Collins. But now he has changed his tune and signed up to make a multi-million mini-series, *Spread Eagle*, for Sky Television which is half-owned by his old enemy Rupert Murdoch.

"If you can't beat them, join them," trilled Follett, adding that, "Murdoch doesn't own a majority of Sky. That's important."

Competition

■ Why does Washington have the most lawyers, and New Jersey have the most toxic waste dumps? New Jersey had first choice.

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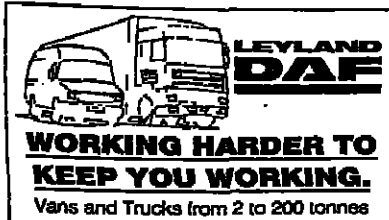
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FINANCIAL TIMES

Friday November 13 1992

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Leading industrialist says he supports moves towards a market economy Industry backs Russian reforms

By John Lloyd in Moscow

THE leader of Russia's industrialists yesterday angrily hit out at critics who had accused him and his members of threatening economic reform.

"Unlike some people in the government, the Russian Union of Industrialists is doing its best to create the infrastructure for a market economy," Mr Arkady Volvsky told a Financial Times conference in Moscow.

Mr Volvsky, president of the Russian Union of Industrialists and Entrepreneurs, said his members, drawn from both the state and the fledgling private sector, were neither "fat cats" nor "enemies of reform".

He was responding to charges

made the previous day by Prof Anders Aslund, a senior adviser to the Russian government, that Mr Volvsky and the Civic Union, a centrist political group of which he was a founding member, were the "most serious threat" to Russian economic reform.

Later, talking to Russian deputies in the parliament, Mr Volvsky said that in recent meetings with Mr Yegor Gaidar, the acting prime minister, the two men had substantially agreed on a number of basic economic issues.

But Mr Gaidar, also addressing the deputies, said the government would not return to "the nostalgic central direction of the economy" which Civic Union proposed in its recently completed programme.

Civic Union will put its programme, which it is pressing President Boris Yeltsin to use as the basis for policies in a revamped cabinet, to a congress of industrialists to be held tomorrow in Moscow.

The congress, at which Mr Yeltsin has been invited to speak, will be a sounding board both for opposition to the government and the government's hopes for industrialists who support the policies of economic liberalism and privatisation.

Mr Volvsky's outburst at the FT conference, entitled Doing Business in Russia, was designed to prove to the audience of business people that he was no friend to the old centrally planned economy, favouring instead a coherent

and planned transition to a market economy.

He said he backed bankruptcies, privatisations, strict control of credit and individual initiative.

Later speakers, however, emphasised the need for tight control of the money supply and faster liberalisation of a still state-controlled economy.

Mr William Crowley, leader of the team from Goldman Sachs, the US investment bank which is advising the Russian government, said western investment in large industrial companies would be slow and limited for the foreseeable future. But he expected a lot of interest in the energy field and in the creation of plants manufacturing food and other consumer products.

Sony brings private view to video watchers

By Michio Nakamoto in London

THE COMPANY that developed personalised audio with the Walkman is now seeking to make video a similarly personal experience with a new portable video monitor.

Sony, one of Japan's leading consumer electronics groups, is developing the monitor, complete with liquid crystal screens and earphones, which will enable users to watch videos undisturbed by the world around them.

The Visortron is worn over the eyes and looks like a pair of space-age ski goggles. It works by being connected to a standard video cassette recorder or a portable model, such as Sony's video Watchman.

On the inside are two small liquid crystal screens, 0.7 inches across, covered by spherical lenses. These create the illusion of seeing one large screen and take television viewing into the realm of virtual reality. For people with an eye-to-eye distance of 65mm, according to Sony, the experience is like watching a 33-inch screen.

When not in use, the plug-in earphones roll back into the unit, which weighs just 250 grams.

It is likely to be a year or two before the Visortron goes on sale as it is still at the prototype stage and is undergoing tests. No price for the monitor has been announced.

Sony believes that the Visortron will appeal to long-distance travellers who could use them linked to their own portable Watchman or an in-flight VCR.

Tests so far have shown that it is possible to watch the Visortron for up to two hours without any damaging effects, according to Sony. However, the group is still studying the monitor's effects on health.

Lamont boosts UK economy

Continued from Page 1

on the reaction of business and consumers over the next few weeks and months.

From 1993-94 onwards, most public spending will be expressed in terms of a new "control total", that excludes cyclical expenditures such as unemployment benefit. Under the new definition, departmental expenditure will total £263.6bn in the next financial year, rising to £283.5bn in 1994-95 and £293.3bn in 1995-96.

These increases will represent annual average growth of 1.4 per cent in real terms, compared with 3.3 per cent a year in the three years to 1992-93. Mr Lamont said the government had met in full its commitment to index pensions and other benefits.

Extra social security costs of nearly £4bn caused by the recession, have left their mark in departmental spending plans. Defence spending will be £570m less in 1993-94 than budgeted a year ago and is set to decline steadily in real terms in each of the coming financial years. The government's finances in 1993-94 will be helped by an expected drop of £1.16bn in transfers to the European Community.

Clinton pledges greater role for women in new cabinet

By George Graham in Washington

US president-elect Bill Clinton yesterday promised that his new cabinet would "look more like America than previous administrations" by including more women and ethnic minorities.

He also repeated his pledge to look beyond the Democratic party in naming the members of the administration.

The Clinton transition team also showed the priority his administration will give to the problem of controlling spiralling medical costs by announcing that there will be a separate transition policy director for health care, alongside directors for economic, domestic and foreign policy.

Ms Judy Feder, who directed a recent study of the US healthcare system was expected to be named to lead the healthcare team.

Mr Al From, head of the Demo-

cratic Leadership Council, a grouping of centrist Democrats which Mr Clinton helped found and which has worked hard to elaborate a moderate policy for the party, was set to head the domestic policy team.

Mr Samuel Berger, deputy director of the State Department policy planning staff, was tipped to head the foreign policy team.

An assistant to Mr Robert Reich, a Harvard economist, author and friend of Mr Clinton, said that Mr Reich would direct the economic policy team.

In his first news conference since the election, Mr Clinton said he was not ready to make any cabinet appointments, and that he was still discussing what he wanted the various government departments to do.

Mr Vernon Jordan, a Washington lawyer, was named last week as chairman of the transition team, while Mr Warren Christo-

pher, a deputy secretary of state in the Carter administration, is in day to day charge of the operation.

Since the election Mr Clinton has seemed to wind down after the gruelling pace of a year-long campaign, apparently spending much of his time jogging or playing golf.

He has now picked up the pace, inserting substantive comments on defence policy into a speech delivered on Wednesday at a Veterans Day commemoration.

Mr Clinton is due to meet Speaker Thomas Foley, Senate majority leader George Mitchell and House majority leader Richard Gephardt on Sunday for preliminary discussions on the agenda that will await Congress in the new year. He will travel to Washington on Wednesday to talk to President George Bush and meet congressional leaders.

Defence review, Page 2



Marrack Goulding, United Nations peacekeeping chief (right), and Margaret Anstee, UN representative in Angola, after meeting rebel leader Jonas Savimbi and president Jonas Eduardo dos Santos

Cartels blamed for high Swiss prices

Continued from Page 1

mates that the prices of goods and services accounting for nearly 45 per cent of the weighting in the consumer price index are "administered or more or less strongly regulated at least one stage of the way to the consumer".

It also observes that while Swiss inflation is not high, it is relatively persistent, suggesting that "inflationary shocks in Swiss consumer prices peter out very slowly". This persistence stems mainly from domestically produced items.

The OECD points out that Swiss competition law is "probably among the most permissive of collusive behaviour and restrictive practices". It accepts that private interests may exert an influence on third parties through the concerted acquisition of economic power, but as long as there is no abuse, private

market order may be as good as, or better than, a free market.

Thus, the original law calls on the authorities only to counteract the harmful economic effects of cartels. Revisions in the 1980s clarified that cartels were harmful if they eliminated "effective competition" or if their negative effects outweighed positive ones. They were also accompanied by a marked strengthening in enforcement, leading notably to the dismantling of cartels in the banking and brewing sectors.

The OECD claims, however, that Swiss rules remain "in stark contrast" with common practice in other OECD countries and particularly in the European Community. Moreover, the number of enforcement staff is "very low by international standards".

It is sceptical of the view among some Swiss that most cartels will spontaneously collapse as domestic markets are subjected to more import competi-

tion. "The collapse of cartels does not necessarily lead to more competitive markets. Indeed, increased concentration is an often observed outcome".

It argues that only further toughening of competition law and its enforcement will lead to greater competition.

If Swiss voters ratify the European Economic Area treaty in a referendum next month, then Switzerland will take on EC competition rules. These prohibit cartels, the abuse of dominant positions and provide for examination of proposed mergers. Other EC rules will force Switzerland to align its norms and technical requirements, migration policy and public procurement practices up to a point.

The OECD, however, calls for a revised Swiss competition law in which "the protection of the competition process should be an overriding objective".

THE LEX COLUMN

Autumn chill

So much for the government's growth rhetoric. The demise of the car tax, and increased capital allowances sounded flashy but it is not as if £400 off a Ford Escort will cause a stampede in the showroom. Capital allowances are not much use unless companies have the cash to invest and profits against which to claim relief. The chancellor's recovery package yesterday involved extra borrowing of only about 0.6 per cent of GDP over the next three years. At least he was refreshingly candid about what it will achieve. Growth will be no more than 1 per cent next year.

What financial markets have been seeking since Black Wednesday is a purposeful and predictable strategy with a sensible mix between fiscal and monetary policy. Instead, what they got yesterday still looks like a muddled and piecemeal attempt to please everyone. Mr Lamont is at pains to appear cautious on the fiscal front, but just in case that does not convince, he is full of reticence on the monetary front too - at least by the standards of those who were looking for a 2 point cut in base rates.

Perhaps the truth is that the government is still boxed in. On the fiscal side it is hobbled by the sheer size of social security payments and, now additionally, debt interest. Even so the background does not leave much room for growth. The underlying inflation rate next year will still be 3.75 per cent. And the current account deficit will rise to £15.5bn from £12bn.

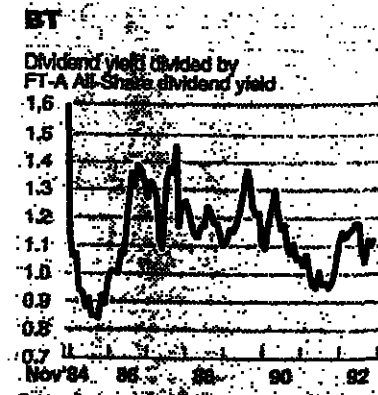
The stock market may have been rash to flirt with record levels yesterday. The gilt market will have to contend with a PSBR of at least £44bn next year - more if the attempt at pay restraint fails. The chances are that a weak government will face some ugly confrontations in the labour market. Hardly what the prospective buyer of gilts on Zurich's Bahnhofstrasse likes to see.

BT

BT ought to be moderately satisfied with second quarter profits of £431m. They were at the top end of expectations even after a £366m redundancy charge. Better still, there was a faint hint of volume recovery which appears to be continuing. Add that to an 8 per cent interim dividend increase, and a 4 per cent jump in its shares looks a natural response.

The longer term, though, offers less ground for excitement. Yesterday also saw the management trotting out a

FT-SE Index: 2726.4 (+29.6)



long list of reasons for not addressing the strategic questions raised by its looming cash surplus and setbacks overseas. Not only is there regulatory uncertainty, BT also faces some large calls on its cash. Changes to the VAT rules mean a £900m tax payment in the second half. Pension fund contributions may have to resume at a rate of £200m next year.

It is much too early for management to take seriously the more extreme City suggestions like a mega-dividend or share buy-back scheme. For the time being the prospect of generous real dividend growth ought to underpin the shares. This attraction is offset by worry that BT's fascination with North America will prompt a third unlucky attempt to strike it rich there. Besides, a 10 per cent yield premium to the market is on the low side for BT. And if its business really is reviving, so is the economy as a whole. Defensive stocks like BT would find it hard to outperform in a recovery.

Boots

The market has a habit of treating Boots uncharitably. Yesterday's 3 per cent fall in the shares in response to a 15 per cent rise in interim profits was less dramatic than what followed the full year results in June. But Boots could be forgiven for feeling hard done by, given its progress in tackling some of the poorer performing parts of the retail empire.

Halfords' return to profit against the background of a depressed car market is particularly encouraging. Yet without a recovery in the housing market, Boots will need all its retail skills to stem the losses at Do It All which is

fighting from a weak third place in a market shredded by discounting. Even on the assumption that conditions get no worse, Boots will do well to break even this year on non-chemist retail sales approaching £1bn. On the upside, though, this implies plenty of scope for recovery when conditions in the high street improve.

Boots continues to defy gravity by squeezing higher margins from the chemists' business. Pharmaceuticals should return to profit growth next year once the launch costs for Manoplax, its new heart drug, are out of the way. Admittedly, Manoplax has yet to win approval from the US authorities, let alone demonstrate a track record. But even a qualified approval should be enough to offset lower growth from the rest of the drugs portfolio. It would be a shame if Boots were weighed down too much by its defensive credentials in a rising market.

Royal Insurance

Judging by the near doubling of its share price in the last two months, the market clearly believes Royal is out of intensive care. Yesterday's news that it almost broke even in the three months to September - and managed its first quarterly UK profit since early 1990 - underpins this view. But it would also be foolish to underestimate the task Royal still faces in returning to anything like rude health.

Like General Accident earlier in the week, Royal is conspicuously riding the turn of the cycle. It was only a matter of time, of course, before the impact of higher premiums would be felt. What is more encouraging is the evidence of fewer claims, notably for subsidence and personal motor. Continuing anxieties, though, are the medium-term damage which mortgage guarantees losses could yet inflict, and the state of the balance sheet. The two, of course, are connected. Today's solvency margin is closer to 30 per cent than the stated 45 per cent if the life business is excluded, which leaves Royal vulnerable to another unexpected wave of repossessions if the economy again fails to respond to Mr Lamont.

In the short term at least Royal deserves the benefit of the doubt. There is a real management story, while its operational and balance sheet gearing are obvious attractions at this stage in the game. Further upside in the share price, though, must be limited by the 3 per cent yield.

THE GILT-EDGED CHALLENGER



No.1 IN THE PERFORMANCE TABLES
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WHITTINGDALE
GILT-EDGED EXPERTS

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GILT-EDGED EXPERTS

World Weather			°C	°F	°C	°F	°C	°F	°C	°F	°C	°F							
Boutogne	S	7	48	Frankfurt	C	7	46	Majuro	F	17	63	Oporto	F	14	57	Tenerife	S	22	72
Brussels	F	7	45	Geneva	R	6	43	Malaga	S	22	72	Oslo	R	3	37	Tokyo	S	18	64
Buenos Aires	S	20	68	Gibraltar	S	20	68	Manila	F	22	72	Perth	F	10	50	Toronto	R	8	46
Cairo	S	28	82	Glasgow	F	5	43	Prague	F	17	63	Rangoon	C	23	73	Ulaanbaatar	F	21	70
Calcutta	S	28	82	Hankow	S	28	82	Montebourne	C	18	70	Reykjavik	F	-2	28	Valencia	S	21	70
Canton	S	28	82	Hong Kong	S	28	77	Madrid City	C	24	76	Rio de Janeiro	R	20	68	Vancouver	F	13	55
Cebu	S	28	82	London	S	20	68	Manila City	C	24	76	Rosario	F	13	55	Washington	F	13	55
Colon	S	28	82	Lyons	S	20	68	Mexico City	S	16	61	Sao Paulo	F	18	64	Wellington	F	13	55
Cologne	C	6	43	Manila	S	5	41	Milan	S	16	61	Rome	F	18	64	Wienau	F	9	48
Copenhagen	C	6	43	Manila	S	5	41	Minneapolis	S	16	61	Saltburg	F	9	48	Yokohama	C	11	52
Dublin	S	7	45	Manila	S	5	41	Montevideo	C	-4	25	St. Francisco	S	22	72	Zurich	F	5	41
Edinburgh	S	7	45	Manila	S	5	41	Munich	F	25	77	Souf	F	13	55	Temperatures at midday			
Hankow	S	28	82	Manila	S	5	41	Nairobi	R	21	70	Singapore	S	29	84	Yamenday			
London	C	7	45	Manila	S	5	41	Nassau	C	20	68	Stockholm	C	15	59	Yamenday			
Lyons	S	20	68	Manila	S	5	41	Nassau	C	20	68	Strasbourg	C	7	45	Yamenday			
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الوقت

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INSIDE

Norway plans to support banks

The Norwegian government is finalising measures to support the country's biggest three banks in danger of failing to meet capital adequacy regulations. Den norske Bank, Christiania Bank and Fokus Bank are negotiating with the state-backed bank insurance fund to obtain further capital support. Page 20

Shell helped by sterling crisis

Currency gains after the devaluation of sterling helped Royal Dutch/Shell Group, the Anglo-Dutch oil giant, raise third-quarter profits 58 per cent to £244m (£1.25bn). Page 24

Dark days for Hutchison

Hutchison Whampoa, Hong Kong's oldest company, has been in the doldrums for the past 18 months. Its share price has underperformed the local stock market by 30 per cent. Hutchison has done nothing to improve matters. It produces an opaque balance sheet and its senior executives only give interviews to a tame local media. Page 22

Coup at Sanyo

Mr Satoshi Iue, president of Sanyo, the Japanese electronics company, yesterday fell victim to a boardroom coup. Mr Iue is to become the group's chairman responsible for supervising the group's overall business. Page 22

Buoyant mood in Lima's bolsa

In an impressive recovery, the Lima bolsa has turned in one of the world's best stock market performances over the past two months. After a 15 per cent gain in dollar terms in the second half of September, the general index leapt more than 80 per cent in October. Recent events boosted market: the capture of guerrilla leader Abimael Guzman coincided in late September with approval by the IMF of Peru's economic stabilisation programme. Back Page

On stream in time

Alusaf, the South African aluminium producer, is to proceed with the construction of a 486,000 tonnes-a-year aluminium smelter, the largest in the western world. The announcement comes against the backdrop of a deep recession in the world aluminium industry, although some predict a shortage of the metal by the middle of the decade, when the Alusaf expansion comes on stream. Page 32

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Alschon	825 + 35	Alschon	801 + 11
Deutsche	328 + 13	Deutsche	328 + 11
Mannmann	221.8 + 11.8	Mannmann	221.8 + 11.8
Paribas	474 + 10	Paribas	474 + 10
Hutchison	922 - 10	Hutchison	922 - 10
Wells	650 - 10	Wells	650 - 10
NEW YORK (\$)		TOKYO (Yen)	
Abbott Labs	29.4 + 4	Abbott Labs	1610 + 130
Gap	45.7 + 1	Gap	1120 + 90
Merck	45.7 + 1	Merck	1120 + 90
Pfizer	77.4 + 1	Pfizer	470 + 40
Pfizer	77.4 + 1	Pfizer	470 + 40
Sino	24.4 + 1	Sino	804 + 40
Lund End	25.4 + 1	Lund End	493 + 40

NEW YORK prices at 12.30

LONDON (Pence)		NEW YORK (\$)	
Alschon	34 + 4	Alschon	80 + 6
Deutsche	328 + 13	Deutsche	328 + 11
Mannmann	221.8 + 11.8	Mannmann	221.8 + 11.8
Paribas	474 + 10	Paribas	474 + 10
Hutchison	922 - 10	Hutchison	922 - 10
Wells	650 - 10	Wells	650 - 10

Ford names president in top reshuffle

By Martin Dickson in New York

FORD MOTOR yesterday named Mr Alex Trotman president and chief operating officer of its worldwide vehicle operations in a top management reshuffle which left a question mark over the succession to Mr Harold Poling, the US group's chairman and chief executive, who will retire next year.

The shake-up stems from yesterday's announcement that Mr Philip Benton, the group's 63-year-old president and chief operating officer, will retire on January 1. No date has been announced for the retirement of Mr Poling, 67. Mr Benton's title disappears under the shake-up.

The reshuffle places 59-year-old Mr Trotman, previously head of North American car operations, in a much stronger position in the succession stakes but does not rule out the possibility that the top job could go to Mr Allan Gilmore, 56, the man analysts once viewed as the front-runner.

Mr Trotman rose on the operations side of the automotive business while Mr Gilmore's experience has been mainly financial. Mr Trotman is the only senior Ford executive to have run its vehicle operations in each of

the three main markets - North America, Europe and Asia. He also becomes a member of the board and of the office of the chief executive, which is being enlarged from four people to six.

Mr Gilmore, who has been on the board since 1988 and until now was head of the worldwide automotive group, becomes one of two vice-chairmen, taking responsibility for Ford's financial services operations and corporate affairs.

Mr Louis Ross, 60, who is in charge of Ford's technical operations and is a board member, has also been appointed a vice-chairman and joins the office of the chief executive.

Mr Edward Hagenlocker, 52 and previously in charge of general operations at North American vehicles, takes over as head of the region from Mr Trotman.

Mr Ken Whipple, 58 and president of financial services for the past four years, joins the expanded office of the chief executive.

The absence of a clear heir apparent to Mr Poling might mean the board is undecided about the succession, does not want to put the current chairman in a "lame duck" role, or is anxious not to alienate Mr Gilmore as a key member of the executive team.

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BT profits decline by 36% in wake of redundancies

By Hugo Dixon and Roland Ridd in London

A BIG redundancy programme was behind a 36 per cent fall in British Telecommunications' pre-tax profits for the half year to the end of September.

Profits fell from £1.61bn to £1.03bn (£1.55bn) and earnings per share were 42 per cent down from 17.4p to 10.1p.

However, if redundancy charges of £462m and a £135m exceptional loss incurred on the disposal of its Canadian Milt subsidiary are added back, earnings per share would have fallen only 2 per cent.

The interim dividend will be 6.15p (5.7p), a 7.9 per cent increase. BT's shares closed up 15p at 389p.

Mr Iain Vallance, BT's chairman, said the recession, competition and tougher competition led to a 1.5 per cent fall in turnover to £6.5bn. But he said in the second quarter "the first signs of a slight improvement may have been perceptible" and that this had continued in October.

On a 12-month moving average, inland call volumes fell 1 per cent, international volumes grew 5 per cent and exchange line connections increased 0.9 per cent.

Mr Vallance said of the link

between Mercury Communications, its main UK rival, and BCE, the Canadian telecommunications group: "I am fairly relieved at the choice of partner."

He dismissed shareholder suggestions that shareholder value could be enhanced by increasing dividends more sharply or buying back the company's shares.

Mr Barry Romeril, finance director, said such suggestions were based on the hypothesis that the company would accumulate a cash mountain whereas its net debt was more than £2bn.

He said the group had ambitions in the UK and overseas which would require investment.

Mr Vallance defended last week's sale of BT's stake in McCaw Cellular Communications, the large US mobile communications company, as "not a strategic blow". He said the group's ambitions overseas remained unchanged.

Mr Vallance said that in the UK BT would like to provide entertainment services over its network and integrate its mobile communications operations with its mainstream network. But both are prevented by regulation.

Capital expenditure fell from £1.7bn to £955m for the half year.

Mr Vallance said that when a company has several banks, those banks should share a single legal adviser. He warned that "we in the City... shall bring ourselves into disrepute" unless these fees and costs are kept down.

Mr Kent also has misgivings about the new practice of banks selling their loans in troubled companies to other financial institutions. These transactions are relatively common in the US and are gradually taking place in the UK. Some of WPP's banks for example sold their loans when the advertising group ran into difficulties.

Mr Kent was concerned that when banks are trying to rescue a company - what he calls a "work-out situation" - debt sales "will impede progress".

Mapping an approach to corporate ills

Robert Peston on an initiative by the Bank of England to help beleaguered companies



Pen Kent: "If we all keep our nerve, there will be more survivors"

He added: "Selling debt in response to news that a company is in difficulty is not in keeping with one of the basic tenets of the London Approach."

The Bank of England does not want to discourage the creation of a secondary market in corporate debt. But Mr Kent wants the banking community to draw up a "code of conduct to minimise disruption during the formulation of a work-out".

In particular, any institution buying debt in a troubled company should be made aware that it is taking on a responsibility to join in the negotiations to rescue the company and not rely on the company's traditional bankers to organise the rescue alone.

Mr Kent added that in general banks should not exclude non-bank creditors - holders of bonds or short-term debt securities - from the process of rescuing a company.

But he has not been persuaded by the request from foreign banks that the Bank of England should establish a register of companies' debts, so that any bank lending to a company could discover whether that company had already borrowed too much from other sources. The request for such a register was made after last year's collapse of Mr Robert Maxwell's companies. Mr Kent said: "I have my doubts about whether such an institution would be effective."

Such a register would not work in the UK, he believes, because companies can borrow offshore and therefore any company which wanted to disguise its overall indebtedness could do so.

Some companies, such as O&Y Canary Wharf, owner of Europe's biggest property development in London's Docklands, are, however, incapable of being rescued by the voluntary efforts of bankers. These companies need to use insolvency legislation to protect themselves from the competing claims of creditors.

But Mr Kent said that UK insolvency law is unsatisfactory. Too few companies are using the administration procedures of the Insolvency Act to acquire creditor protection for a limited period while rebuilding their businesses. So if bankers cannot agree on a voluntary rescue, most troubled companies go into receivership, from which they rarely emerge as a going concern.

"I would like to see a detailed review of the working of these parts of the Insolvency Act to explore ways of making these [administration procedures] more usable," he said.

But the best cure for corporate ills is not any legislative change, he added. It is for banks to learn more about their customers and only lend when the cash flows of a company can support the loan. In the meantime, "if we all keep our nerve... there will be more survivors to benefit from those lessons."

Boots profit rises 15% in first half

By Maggie Urry in London

A STRONG performance from Boots' chemist shops and a rise in profits from Halfords, its chain selling car accessories and bicycles, helped the UK retail and pharmaceutical company increase pre-tax profits 15.6 per cent to £187.8m (£283.6m) in the first half of its financial year.

However, a fall into losses by the do-it-yourself joint venture and disappointment that a patent extension on one drug would not be possible contributed to a 10p drop in the share price to 487p.

Sir Christopher Benson, chairman, said in the current economic climate the results were "very good".

Group sales rose 7.9 per cent to £1.85bn in the six months to end September, and trading profit was 8.6 per cent higher at £198.2m. There was a fall in interest payable from £23.5m to £10.4m, £8.8m due to the conversion of bonds into shares.

Earnings per share rose 11.5 per cent to 12.6p and the interim dividend is up 7 per cent to 4.6p.

The Boots Chemist chain increased trading profits by 20.8 per cent to £117.4m, in spite of a £5.8m charge.

Among its other retail chains, Halfords made a profit of £1.2m, against a loss of £6.2m. Losses from Sephora, the French perfume business, increased from £200,000 to £1.2m.

The pharmaceutical division's profits fell from £57.2m to £64.5m as an extra £8m was spent on marketing Manoplex, a new drug for congestive heart failure. This was launched in the UK in September and Sir James hopes for US approval by next March.

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INTERNATIONAL COMPANIES AND FINANCE

Restructuring helps Atlas Copco to offset downturn

By Christopher Brown-Humes
in Stockholm

ATLAS Copco, Europe's largest air compressor manufacturer, lifted profits, after financial items, to SKr751m (\$155.9m) for the first nine months of 1992, up 22 per cent on the same 1991 period.

Operating profit after depreciation rose 24 per cent to SKr914m. Sales rose a more modest 6 per cent to SKr11.65bn, largely reflecting the acquisition of AEG's electrical power tool operations at the start of the year.

Atlas Copco said it continued to suffer from recession in many of its main markets and currency movements had also

had a negative impact. But it noted that it was now reaping the benefit of restructuring and investment carried out in 1990 and 1991, which had enabled it to offset some of the effects of the downturn.

The biggest turnaround came in the construction and mining technique business area, which posted a SKr123m profit in the nine months, compared with a SKr47m loss.

Last year this division was responsible for the biggest share of an overall SKr168m restructuring charge.

The Industrial Technique division, which now includes the AEG power tool activities, saw earnings fall to SKr112m from SKr192m. The third major

area of operation, Compressor Technique, boosted earnings to SKr755m from SKr749m.

The group expects its operations to be effected by continued weak demand for the rest of the year, with recent currency movements having an additional adverse impact.

Nevertheless, it still expects a better result than in 1991, when profits after financial items amounted to SKr910m.

Stora Kopparbergs, the forest products group, has accepted a new offer from holding company Industriförvaltning AB Kinnevik for its shares in Korsnas. Stora owns 15 per cent of the voting rights and 13 per cent of Korsnas' capital.

Creditanstalt optimistic after modest reversal

CREDITANSTALT-Bankverein, the state-controlled Austrian bank, hopes to post an unchanged partial operating profit this year following a modest setback during the first nine months of 1992, Reuter reports from Vienna.

"We are optimistic that we will be able to achieve a partial operating profit at Creditanstalt this year in line with last year as a result of tight cost management," the bank said in a letter to shareholders.

Improved results from the bank's trading on its own account should ensure that Creditanstalt's total operating profit rises against last year, the bank said.

Nine-month partial operating profits slipped by 8 per cent to Sch1.33bn (\$118.64m). Operating profits improved by 3 per cent to Sch2.2bn.

Partial operating profit comprises the interest surplus and fee income, less operating costs. Total operating profits include earnings from trading on the bank's own account.

Increased credit risks, especially among Austrian borrowers, mean that net profits will fall short of last year, the letter continued.

Creditanstalt said operating conditions had been very difficult, but that it had taken measures to improve earnings by increasing account fees and by pushing since August to widen interest rate margins.

Norway moves to aid three banks

By Karen Fosell in Oslo

THE Norwegian government is finalising far-reaching measures to support the country's three biggest banks, which are in danger of failing to meet capital adequacy regulations unless they receive further state cash.

By the end of this year, the banks must have a capital adequacy of at least 8 per cent of risk-weighted assets. Den norske Bank, Christiania Bank and Fokus Bank are negotiating with the state-backed bank insurance fund to obtain further capital support.

All three have this year failed to improve their financial positions, in spite of state cash transfers in 1991 of nearly NKr25bn (\$3.87bn) which saved them from insolvency.

As a result of last year's

SPAREBANKEN, Norway's biggest savings bank, reported nine-month losses more than halved to NKr206m (\$31.81m) from NKr523m, despite a slight increase in credit losses to NKr1.07bn from NKr1.02bn, due to a NKr100m increase in third-quarter losses. Capital adequacy was at 9.1 per cent of risk-weighted assets, exceeding the 8 per cent required minimum.

actions, the state became sole owner of both Christiania and Fokus and owns more than 85 per cent of DnB.

Next Thursday, parliament is expected to approve a request by the bank insurance fund for additional state cash. Local analysts estimate the fund will call on the government for between NKr5bn and NKr8bn.

Mr Tormod Hermansen, the head of the fund, said he was surprised and deeply disappointed by the banks' recent nine-month figures - DnB losses, for example, rose to NKr2.46bn from NKr2.3bn -

The association claims a 15 per cent cut-out would mean the loss of 2,000 jobs. The Norwegian banking industry has already shed more than 8,000 jobs in the last five years.

The insurance fund may also establish a property company to which the banks can transfer part of their property holdings. Bank property asset values have fallen sharply in recent years. DnB has property assets of NKr17bn, Christiania has NKr2.3bn and Fokus NKr2.8bn. Mr Hermansen said the state, the banks and private investors would own the new company.

The negotiations will also centre on the commercial banks selling parts of their distribution networks to savings banks in an effort to consolidate operations to specific regions.

Schering slips 6% to DM210m

By Leslie Collett in Berlin

SCHERING, the German pharmaceuticals and chemicals group, suffered a 6 per cent fall in earnings to DM201m (\$125.80m) for the first nine months of 1992, on turnover up 2 per cent to DM4.99bn.

The company blamed the setback on lagging sales of agrochemicals and exchange rate-induced losses by foreign subsidiaries.

Full-year earnings are expected to be slightly higher once gains from the sale of Schering's industrial chemicals, natural substances and electro-

plating divisions are included, the company said.

The disposals were made in order to concentrate on pharmaceuticals and agrochemicals, the most profitable sectors.

While pharmaceutical sales rose 10 per cent to DM2.9bn, turnover in agrochemicals dropped 12 per cent to DM1.07bn. Sales of industrial chemicals increased by 2 per cent to DM894m. Schering's overall sales were up 6 per cent in Germany and were 11 per cent higher abroad.

Earlier this month Schering concluded the sale of its chemi-

cals and natural substances divisions to the Witco chemicals company of New York for DM660m. It was financed by banks in the US, Germany, the UK and Spain.

Last August Schering sold its electroplating division to the Elf group in France.

Mr William Toller, Witco chairman, said the company's competitive position would be greatly strengthened in Europe, where it gained two former Schering production plants in Germany as well as factories in France, Italy, Spain and the UK, in addition to plants in the US and Ecuador.

Unilever freezes managers' pay

By Ronald van de Krol
in Amsterdam

UNILEVER, the Anglo-Dutch consumer products group, said yesterday that it is to freeze the maximum pay scales of its 2,000 managers and assistant managers based in the Netherlands.

The move reflects similar wage measures at some other Dutch companies and uncertainty about the outlook for the domestic economy.

The company said that the wage freeze would be limited to managers in the Nether-

lands and would not be extended to staff at either its British arm or in other parts of the world.

Of Unilever's 2,000 managerial staff in the Netherlands, around 600 will be directly affected by the freeze because they already receive the maximum salary in their scale.

The other 1,400 managers will receive an as yet undetermined salary rise.

Unilever has a total Dutch workforce of 9,500.

A Unilever spokesman said that maximum pay scales for

managers may be raised later in 1993, depending on the economic conditions in the Netherlands and the pay trend for similar jobs at other companies.

Pay scales for Unilever's Dutch managers are normally raised on January 1.

The spokesman said that the freeze "has nothing to do with the situation at Unilever itself".

Last week, Unilever reported a 4 per cent increase in third-quarter net profit in guilder terms and an 8 per cent rise in sterling terms.

Arthur Andersen lifts revenue by 13% worldwide

By Andrew Jack

ARTHUR ANDERSEN, the accounting and consulting firm, announced revenues up 13 per cent to \$5.57bn for the year to August 31.

Andersen, which employs more than 62,000 staff worldwide, lifted revenues by 9 per cent to \$2.96bn in the Americas, 16 per cent to \$2.14bn in Europe, Middle East, India and Africa, and 16 per cent to \$1.54bn in Asia/Pacific.

Sega surges 83% on strong sales

By Robert Thomson in Tokyo

SEGA Enterprises, the Japanese electronic games maker, continued its remarkable rate of growth during the first half, when sales surged 91 per cent and pre-tax profits advanced 83 per cent.

The company said sales of home-use video games doubled during the half, in which it made greater inroads into the Japanese market share of the main competitor, Nintendo, which has traditionally dominated the domestic market.

While many other leading Japanese companies' assets are

shrinking and their profits falling, Sega has doubled in size over the past year, even though it was forced to pay \$43m in a US patent dispute.

Pre-tax profits for the half were Y27.4bn (\$221m), compared with Y14.9bn for the same period last year, while sales were Y167.3bn against Y87.4bn. Net profits rose 72 per cent to Y13.77bn from Y8.01bn, and the company is to pay an interim dividend of Y12 a share, up from Y7 last year.

Sega also runs amusement arcades in Japan, and reported that sales in this sector rose from Y18.7bn last year to Y28.3bn. The company has profited from a shift towards cheaper amusements as the domestic economy has slowed.

The company maintained momentum in international markets after having scored unexpected victories against Nintendo last Christmas in the US. Domestic sales, which account for about 45 per cent of revenue, have also risen on the success of new games.

For the full year, Sega is forecasting a 50 per cent increase in sales to Y320bn, and a pre-tax profit of Y50.3bn, also 50 per cent higher.

Saab injection could total SKr3bn

By Christopher Brown-Humes

SWEDEN'S Saab Automobile is to receive a capital injection of between SKr2bn and SKr3bn (\$335m-\$503m) in the next few months, according to Saab-Scania, which jointly owns the company with General Motors of the US.

Mr Lars Kyllberg, president of Saab-Scania, said the final amount would be decided in December once Saab Automobile has finalised its new business plan.

The motor group announced a wide-ranging rationalisation

plan on Monday, including 2,000 job cuts, in order to save SKr2bn.

In June 1991 the joint owners ploughed SKr5.5bn in Saab, which has made losses for the last three years, and doubts have been expressed about the extent to which they would continue to provide support.

"This will be last time," said Mr Kyllberg yesterday.

The hope is that the capital injection, together with the cost-cutting measures and the launch of the group's new model next year, will provide the basis for Saab's return to

profitability. The group made a SKr1.3bn loss in the first nine months of 1992 and says it expects to make a loss of more than SKr2bn in the full year.

Volvo will delay but not cancel plans to invest some SKr500m in a Polish joint venture, Reuter reports from Stockholm.

A spokesman said negotiations to build a new plant in Poland are continuing. Volvo had hoped for a final agreement by the end of this year, but this will not now happen.

The spokesman did not give any new timetable.

TTL recovers to A\$15.2m at end-September

By Kevin Brown in Sydney

TELEVISION and Telecasters (TTL), the holding company for Australia's Channel Ten television network, yesterday announced net profits of A\$15.2m (US\$ 10.51m) for the 50 weeks to end-September.

The result marks a significant recovery for the network, which went into receivership in 1989 and is now owned by Westpac Banking Corporation, formerly its biggest creditor.

Westpac is in the process of completing a deal to sell the network to a consortium led by CanWest Global Communications, a Canadian broadcasting company which also owns a majority stake in New Zealand's TV3 network.

TTL, which controls programming for the network and operates three east coast stations, reported a profit of A\$23m before interest and tax, representing a gross return of 11 per cent on sales.

Mr Gary Rice, managing director, said the result was achieved in spite of difficult trading conditions caused by slow economic growth.

He said he was confident the network could maintain its improved performance in the current year.

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INTERNATIONAL COMPANIES AND FINANCE

Thomson climbs 9% to \$221m in third quarter

By Bernard Simon in Toronto

THOMSON Corporation, the international publishing and travel group, lifted third-quarter earnings by 9 per cent. But the Canadian-owned company warned that its performance was being held back by slow holiday bookings in the UK and the poor newspaper market in Ontario.

Much of the improvement in earnings came from the group's US publishing interests. Despite a lacklustre performance by Thomson's UK regional newspapers, operating profits of the information and publishing division jumped by 19 per cent after amortisation charges.

The company has also been helped by a substantial drop in financing charges, including lower preferred share dividends.

Total third-quarter earnings rose to US\$221m, or 38 cents a share, from US\$202m, or 35 cents, a year earlier. Sales rose to \$1.94bn from \$1.76bn.

Thomson Travel's operating

income rose fractionally to \$150m, with a 9 per cent rise in summer packaged-tour volumes being offset by fierce discounting.

October departures were "weak" and holiday bookings for the coming winter season are below the level at this time last year. Summer 1993 bookings have also started slowly.

Thomson Newspapers, which includes the group's US and Canadian papers, reported third-quarter operating profit of \$34m, almost unchanged from last year. But advertising revenue in the first nine months was 2.7 per cent lower in the US and 5.8 per cent down in Canada. The newspaper operations benefited in the third quarter from lower newspaper print costs and various belt-tightening measures.

Thomson noted in general that "economic conditions remained depressed in both Canada and the UK, and the very modest recovery in the US has not to date materially benefited the markets in which we operate".

Fuji Heavy posts first profit in three years

By Robert Thomson in Tokyo

FUJI Heavy Industries, the Japanese carmaker, reported pre-tax profits of ¥224m (\$1.8m) for the first half, its first profit in three years and a sign that a restructuring overseen by Nissan Motor has increased profitability.

In the year-earlier period the company reported taxable losses of ¥2.4bn.

First-half sales rose by only 1.3 per cent to ¥399.8bn from ¥394.7bn, though the company still reported after-tax losses of ¥274m against losses of ¥2.4bn.

However, Fuji Heavy, which makes Subaru cars, said profitability had improved because of a cost-cutting programme. The company remains under pressure because of the weak-

ness of the domestic car market, a problem also afflicting Nissan Motor, which has a 4.2 per cent stake in Fuji and has assigned production to the company.

The volume of Fuji Heavy sales fell 9 per cent to 235,000 units during the period, reflecting the difficult market conditions, in particular the weakness in demand for minicars, which has been affected by stricter Japanese parking regulations.

For the full year to end-March, Fuji Heavy is forecasting a 9 per cent increase in sales to ¥900bn, and pre-tax and after-tax profits of ¥1bn, revised down from a previous estimate of ¥2bn.

Last year, the company reported pre-tax losses of ¥4bn.

Carrier awaits decision on rescue package

By Bernard Simon

THE CANADIAN government is facing a tough political decision over whether to support a rescue package for ailing Canadian Airlines International.

Ministers are torn between rival commercial and regional interests. Their decision, expected shortly, is likely to be a key factor in determining the outcome of the increasingly desperate battle for survival between the country's two leading airlines, Calgary-based Canadian and Air Canada of Montreal.

A group of Canadian Airlines employees, backed by management and by regional interest groups in western Canada, has asked Ottawa and various provincial governments to guarantee up to C\$90m (US\$241.6m) in loans to the airline. The loans are required to fulfil conditions set by American Airlines of Dallas for an alliance with Canadian, which would include a minority shareholding for the US carrier.

The American investment, which would be combined with a partial buy-out by Canadian's employees, appears to be the last-making Calgary carrier's last hope for survival.

Merger talks between Canadian and Air Canada broke down last week. Canadian has warned it talks with American fail, it will have little choice but to file for bankruptcy protection. Shares of PWA Corp, Canadian's parent, continued to slide on the Toronto Stock Exchange yesterday.

But Canadian's requests for government financial support are strongly opposed by Air Canada, which is losing about a million dollars a day.

Air Canada's chairman, Mr Claude Taylor, has demanded his airline should also receive a government bail-out, if one is offered to its competitor. Air Canada has also threatened to sue Ottawa for breaking a pledge that the government would not interfere in the airline industry.

St Paul to take write-down on Minet

By Nikkai Tait in New York

ST PAUL Companies, the Minnesota-based property-casualty insurer, is planning to write down the value of its large, but troubled London-based insurance broking subsidiary, Minet Group, which was acquired by the US parent in 1988.

St Paul said yesterday it intended to take a write-down of a portion of goodwill associated with the group as a non-cash charge against its fourth-quarter earnings.

The US company did not specify the size of the write-down, but said this

would be "material" and result in the operating loss for the group in both the fourth quarter and for the year overall.

In the first nine months of 1992, the US company reported total operating earnings of \$22.8m.

St Paul bought out the 74 per cent of Minet which it did not already own for around \$515m in 1988. At end-September this year, the carrying value of Minet-related goodwill was put at \$482m.

The Minnesota-based parent has made no secret of the problems within its insurance broking division, which

employs around 4,000 people and has about 100 branch offices, recently.

Reporting third-quarter results - which also bore the adverse impact of Hurricane Andrew - Mr Douglas Leatherdale, St Paul's chairman, said that Minet had proved "a major disappointment", and generated "substantial" losses in the first nine months of the year.

On a pre-tax basis, Minet's deficit was put at \$32.1m for the third quarter, and \$51.7m for the first three quarters.

As a result, efforts to restructure the Minet business

are underway. According to St Paul, these concentrate on reducing the number of profit-centres, so that back-office facilities and support staff can be streamlined; putting more emphasis on a "country-based" structure, rather than operating by product line; and emphasising specific, specialised product areas, such as professional liability.

Nevertheless, some analysts have cautioned against expecting a rapid turnaround in the brokerage business, given the weakness of premium volume in international insurance markets.

Gap stock rises despite slide in after-tax earnings

By Nikkai Tait

SHARES in The Gap, one of the most highly regarded US specialty store groups, rose \$2 to \$33.4 at midday yesterday, despite news of a tumble in the third-quarter earnings to \$82m after tax.

In the same period of 1991, The Gap - which takes in the Banana Republic and GapKids stores as well as its namesake chain - recorded a net profit of \$70.8m.

At the earnings per share level, the figure drops from 50 cents to 43 cents.

The third-quarter profits slip means The Gap has now produced after-tax profits of \$145m in the first nine months of 1992, compared with \$145.9m in the same period of 1991.

The company blamed the profits fall principally on additional advertising expenditures and reduced merchandise margins, but it pointed out that all of its divisions had been profitable during the three-month period.

The company, which is heavily committed to denim product, cut prices of jeans during the summer, in an effort to cling to market share.

Its stepped-up promotional programme resulted in a same-store sales rise of 7 per cent during the third quarter, and one of 5 per cent in the nine-month period.

With the total number of stores operated by the company rising to 1,295 by the end of the third quarter, compared with 1,201 a year earlier, The Gap's sales were \$277.2m, up from \$270m in the latest three months.

For the nine months, sales advanced to \$2.08bn, against \$1.72bn last time.

The Gap's shares have fallen sharply this year after the heavy gains scored in 1991.

However, having feared the worst, analysts seemed reassured that The Gap's management's commitment to protecting market share was paying off.

Nymex opts to remain in New York City

By Laurie Morse in Chicago

THE New York Mercantile Exchange (Nymex), the world's largest energy market, will remain in New York City.

The Nymex board voted late on Tuesday to move the exchange to a building at 390 Greenwich Street in Manhattan. The move is scheduled for late 1994. The Greenwich Street property, built in 1986 and specifically designed for technology intensive use, is owned by the American Express unit

Shearson Lehman Brothers.

Nymex's decision to stay is a boon for New York City, which is struggling financially.

Mr Carl Weisbrod, president of New York's Economic Development Corporation, declined to give details of the incentives the city offered Nymex to remain. However, he said they included funds for building renovation, special tax benefits, and an agreement for subsidised power.

Nymex pays \$75m in city and state taxes each year.

The new address is just a few blocks away from the site where the Nymex's sister exchanges, the Commodity Exchange, the New York Futures Exchange, and the Coffee, Sugar and Cocoa Exchange are negotiating to build a facility.

All four of New York's futures exchanges are now jammed into a single 25,000-foot trading floor in the World Trade Center. Seeking to relieve the congestion, the exchanges discussed leaving

New York entirely and relocating to New Jersey, where costs were believed to be lower.

That plan was abandoned last year.

Nymex broke off from the group after a series of disagreements and since then has been searching for its own premises.

Last year 27.8m futures and options contracts changed hands at Nymex. A majority of those were in the exchange's crude oil futures pit, which is used to price oil transactions worldwide.

MIM to focus on cutting costs to offset price falls

MIM Holdings, the diversified

Australian mining group, plans to concentrate on reducing costs to offset price falls for its main products of copper, lead and zinc. Reuter reports from Brisbane.

Mr Norm Fussell, chief executive and managing director, told the group's annual meeting that the Australian and world recessions appeared to have some distance to run.

"We cannot, therefore, anticipate substantial rises in prices for MIM's main products in the short term," he said. "Recent falls in copper, lead and zinc prices confirm this."

"MIM must concentrate on reducing costs, thereby improving its competitive position against other producers worldwide."

Mr Fussell said costs at the

group's Mount Isa and Hilton

copper, lead, zinc and silver operations had been cut by about A\$80m (US\$57.1m) a year since a concerted cost-cutting campaign began 18 months ago.

He said MIM's net profits for the three months to September 30 of A\$29m, up from losses of A\$3.5m a year earlier, was due to cost reductions at the group's main operations and low-cost gold mines.

"Gold will continue to be very important for MIM," Mr Fussell said, adding that MIM was also planning to expand its copper output.

"In exploration, the search for copper has highest priority, particularly in north-west Queensland, Papua New Guinea and Chile," Mr Fussell said.

Canadian financial group unveils rise in profits

By Robert Gibbens in Montreal

POWER Financial, the financial services group controlled by Montreal financier Mr Paul Desmarais, unveiled a profit advance to C\$168.5m (US\$136.5m) or C\$1.87 a share in the first nine months. This compares with C\$129m or C\$1.43 a year earlier.

Consolidated revenues were little changed at C\$4.2bn. The Great-West Lifeco made an increased contribution, as did Investors Group, Fargesa, the European holding company jointly owned with the Frère Group of Belgium, contributed C\$26.3m to Power Financial's earnings.

The latest period included a C\$61.5m special gain taken in the second quarter, resulting

from a stock issue by investors

Group. Third-quarter profit was C\$22m or 21 cents a share, against C\$37m or 41 cents a year earlier on revenues of C\$1.29bn, little changed.

United Westburne, the North American plumbing, heating and electrical goods wholesaler controlled by Dumes of France, suffered a third-quarter loss of C\$30,000 or 1 cent a share, against a profit of C\$2.7m or 7 cents.

Sales were C\$579m, down nearly 4 per cent due to the sale of the Memphis division.

The nine-month loss was C\$7.9m or 21 cents, including a \$2m loss from discontinued operations, against a loss of C\$4m or 11 cents. Sales for the period were little changed at C\$1.6bn.

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CERTIFICATE CALL OPTION NOTICE

To: The holders of the Certificates specified herein CEMEX S.A. hereby exercises its right to purchase the Certificates specified below in accordance with Condition 14 of the terms and conditions of the Certificates (the "Conditions"). Expressions defined in the Conditions shall bear the same meanings herein.

1. Serial numbers of the certificates the subject of this Certificate Call Option Notice:

Denomination	Individual Certificates Serial Numbers	Denomination	Individual Certificates Serial Numbers
1	13-22 73-80 86-90 93-99 107-108 115-121	100	8901-9200 9501-10400 12101-12800 13201-13400 16101-16300 15801-16000 16101-16700
10	771-800 1151-1200 1371-1540 1571-1630 2001-2020 2061-2230	1,000	94501-108500 124501-137500 141501-155500 158501-160500
		10,000	625501-635500 645501-655500 655501-665500

2. Certificate Call Price per Certificate: U.S.\$48.416.
3. Certificate Call Date: December 14, 1992.

Payment of the Certificates will be available to Holders at the Paying Agents listed below:

Citibank N.A., London S.A.	Citibank (Luxembourg)
336 Strand London WC2R 1TB	16 Avenue Marie Theres Luxembourg

November 13, 1992
Fiscal Agent

CITIBANK

COMMERZBANK OVERSEAS FINANCE N.V.
U.S.\$ 100,000,000 Floating Rate Notes Due 1993

In accordance with the provisions of the Notes notice is hereby given that for the three months period from November 13, 1992 to February 18, 1993 (95 days) the Notes will carry an interest rate of 3.8125% per annum with a coupon amount of U.S.\$ 100.87 per U.S.\$ 10,000 Note and U.S.\$ 2,515.19 per U.S.\$ 250,000 Note payable on February 18, 1993.

Frankfurt/Main, November 1992

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NOTICE OF REDEMPTION
MORTGAGE FUNDING CORPORATION NO. 2 PLC
Class B-1 Mortgage Backed Floating Rate Notes
Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holders of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £5,000,000 will be redeemed on 30th November, 1992 (the "Redemption Date"). The Class B-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearing Notes									
137	142	147	158	165	172	184	241	291	348
362	378	397	433	475	497	500	504	513	532
558	562	575	596	599	606	622	650	668	699
703	708	753	755	800	810	811	831	833	835
840	848	852	876	901	909	917	927	930	985
988	995	997	1012	1025	1047	1064	1117	1149	1150

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York	Morgan Guaranty Trust Company of New York
60 Victoria Embankment London EC4Y 0JP	Avenue Des Arts 35 B-1040 Brussels, Belgium
Union de Banques Suisses (Luxembourg) S.A.	Morgan Guaranty Trust Company of New York
36-38 Grand-rue L-2011 Luxembourg	55 Exchange Place, Basement A New York, New York 10250-0023 Attn: Corporate Trust Operations

In respect of Bearing Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unremitted coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 2 PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent

Dated: 13th November, 1992

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes to the paying agency's New York Office.

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FT COMMENT TRAVELS THE WORLD

GENMIN GROUP
General Mining, Metals and Minerals Limited
(Reg No 5101/123200)
(Gencor)

New aluminium smelter at Richards Bay

ABSA Merchant Bank and UAL Merchant Bank Limited are authorised to announce that Alusaf Limited ("Alusaf") will proceed with the construction of a new aluminium smelter at Richards Bay at a capital cost (excluding contingencies) of some R4150 million in January 1992 money terms.

The main business of Alusaf is the production and marketing of primary aluminium metal for both the domestic and export markets. Alusaf currently operates a smelter with a capacity of 170 000 tonnes per annum. The shareholders and directors believe that it is opportune to expand this capacity to 636 000 tonnes per annum by the construction of a new smelter with a capacity of 466 000 tonnes per annum. First metal production by the new smelter is expected by November 1995 and full production by November 1998.

Cost and financing

The total cost of the new aluminium smelter is expected to amount to R7 200 million (including interest accrued during construction, working capital and after allowing for inflation and contingencies). This will be funded as follows:

	R'm		R'm
Equity funding	2 700	18 November 1992	113
Variable rate subordinated unsecured convertible redeemable loan	300	30 June 1993	225
Subordinated long term loan	800	30 December 1993	225
Loan funding	2 700	30 June 1994	281
Pre-production tax credits	700	30 December 1994	281
	7 200		1 125

Gencor's position

Gencor has committed a total of R1 125 million to the project in the form of equity, which will be subscribed for as follows:

	R'm
Gencor's effective interest in Alusaf will increase from the current level of 40.6% to approximately 40.8% after the expansion.	

The equity portion of the funding will be subscribed for on a draw-down basis over the period 18 November 1992 to

Johannesburg
12 November 1992

Merchant banks

ABSA Merchant Bank
(A division of ABSA Bank Limited)
(Reg No 5501/794008)
(Registered Deposit-taking Institution)

UAL Merchant Bank Limited
(Reg No 5503/18100)

Sponsoring brokers

Martin & Co Inc
(Reg No 7201/1921)
(Member of the Johannesburg Stock Exchange)

Ivor Jones, Roy & Co Inc
(Reg No 7305/0821)
(Member of the Johannesburg Stock Exchange)

(all companies mentioned are incorporated in the Republic of South Africa)

COMPANY NEWS: UK

Sterling devaluation bolsters Anglo/Dutch oil group's third quarter performance

Shell Transport up 58% to £824m

By Neil Buckley

LARGE CURRENCY gains after the devaluation of sterling helped Royal Dutch/Shell Group, the Anglo-Dutch oil group, increase its third quarter profits by 58 per cent to £824m.

The profits increase on a replacement cost basis, which strips out the effect of stockholding gains and losses, was higher than analysts' forecasts and the share price rose 12p to 549p.

However, net income on a historic cost basis showed a slightly smaller increase of 38 per cent to £783m.

Despite the strong third quarter, replacement cost profits for the first nine months of 1992 were down slightly at £2,265m (£2,450m).

Sir Peter Holmes, chairman, said fourth quarter earnings were expected to benefit from a seasonal increase in natural gas sales, and higher oil production after the completion of North Sea maintenance programmes.

He admitted that foreign currency earnings were higher

than expected at £196m compared with £87m currency losses in the third quarter of 1991 when sterling appreciated against the dollar. Tax benefits and related interest contributed a further £80m.

"The figures are littered with exceptional items, both credits and debits, but the underlying performance was pretty much as we expected," said Mr Nick Clayton, analyst at Smith New Court.

Mr Clayton said an 18 per cent reduction in capital expenditure might be evidence of strict discipline on spending, but did not reflect any reduction in Shell's ability to spend. Surplus cashflow allowed the company to pay off £750m during the third quarter and reduce gearing to 5 per cent.

Third quarter turnover was down slightly from £18,940m to £17,720m, but earnings from exploration and production beat expectations at £399m (£316m). Results were boosted by higher crude oil and natural gas prices, and production was slightly higher at 2.11m barrels a day.

However, the refining and marketing division suffered a \$65m fall in earnings to £303m. Analysts said the decline was not as large as had been feared, with continued pressures on refining margins offset by a better performance from marketing.

Further deterioration in the petrochemicals market thanks to weak economic conditions was blamed for the chemical division's slide into a \$40m loss (profit £12m).

The coal and metals divisions also recorded losses compared with small profits last year.

Earnings per share rose to 8.1p from a restated 5.9p.

COMMENT

Even without the currency gains and other credits, these results underline Shell's strength. Fourth quarter earnings should benefit from higher natural gas sales and a higher sterling oil price, with the dollar's strength against the pound more than offsetting the recent slide in dollar crude prices. But the downturn in refining, marketing and chemi-



Sir Peter Holmes: fourth quarter earnings were expected to benefit from seasonal increases in natural gas sales

icals is likely to continue, and Shell is expected to make a provision of \$400m-\$450m to comply with the US Financial Accounting Standards Board's statement 106, which requires companies to show their future healthcare obligations to retirees, rather than what they are actually paying out in any

Second half lifts Burton to £9.4m

By Peggy Hollinger

SHARES IN Burton Group jumped 25 per cent to 55p yesterday as the fashion retailer announced a return to the black with pre-tax profits of £9.4m for the year to August 29 and maintained its final dividend.

The profits, which compared with a loss of £13.4m last time, were struck on turnover 6 per cent higher at £1.76bn and were helped by the absence of last year's £24.6m exceptional reorganisation costs.

Nevertheless, analysts said the results were much better than expected, especially with the welcome decision to change the accounting treatment of the property development portfolio. The £4.2m in property holding costs - net of rents received - were included above the line for the first time.

Mr John Hoerner, who became chief executive in February, said there was much work yet to be done to improve the company's performance. Trading profits before exceptional costs had declined from £46.2m to £35.3m, with £3m of the decline due to the sale of Harvey Nichols. "No one is kidding themselves that this is a wonderful performance, but because it isn't."

At the interim stage profits halved to £2.2m. However, the group was encouraged by the substantial progress of the second half. The final pay-out was maintained at 1p, for a lower full-year total of 2p (2.7p). Earnings per share were 0.8p against losses of 2p.

The year had been "a story of two halves," Mr Hoerner said. "In the second half, very cautiously and very quietly, we have turned the corner." During the latter part of the year, Burtons moved from a trading loss of £17.4m to profits of £2.7m. Sales in the second half improved by 14 per cent to £330m, with same store sales 15 per cent ahead.

The improvement was partly due to a significant restocking. The board also decided not to be beaten on prices, which contributed to a fall in gross margins from 2.8 per cent to 2 per cent. However, market share improved to more than 12 per cent (11 per cent).

The best performance came from Debenhams, with trading profits of £31.1m, and Dorothy Perkins, the women's wear retailer. The multiples business was hit by disappointing performances from Principles and Burton men's wear.

COMMENT

Mr Hoerner has done much in this set of results to dispel the shadows of recent years. However, it must be noted that 1990-91 had been an appallingly bad year and the achievement compared with "a very easy base" in the words of one analyst. The road to real recovery is sure to be long and hard before profits are anything like respectable for a company with almost £2bn in sales. The good news is that Mr Hoerner is under no illusions about this and he appears to be doing all the right things. The question now is whether the gains will be short or long-term. Many potential investors will be watching the interim results with more than ordinary interest before plunging in. Forecasts are for £25m next year. The p/e of 32, based on an uncertain tax charge of 25 per cent, might look expensive at the moment. However, the yield could attract investors in the short term.

Northumbrian Water shows 25% advance

By Bronwen Maddox, Environment Correspondent

INVESTMENT PROFITS and rises in water charges allowed Northumbrian Water to lift half-year pre-tax profits by 25 per cent, from £31.3m to £39.2m, despite rising debt and the impact of recession on recent acquisitions.

Profit included a one-off gain of £7.3m from the maturity of its equities portfolio. That helped push earnings per share up by 27 per cent to 56.7p (44.5p), allowing the interim dividend to rise to 7.5p (6.5p).

Mr Michael Taylor, finance director, said the recession had been "noticeable" in the north-east of England but although commercial demand for treated water had fallen by about 3 per cent in the six months to September 30, this category accounted for only a small part of revenue.

Turnover from the core regulated water and sewerage businesses rose to £33.4m (£34.4m) after a 10 per cent rise in water charges, allowing operating profit to rise by 29 per cent to £27.3m (£21.2m).

Turnover in non-regulated water businesses - the Kielder reservoir and the supply of untreated water to industry - rose to £11.5m (£10.5m) following an increase in charges, but operating profits were squeezed to £3.5m (£3.6m).

Other turnover rose to £18.5m (£3.1m), mainly from acquisitions of water services and leasing companies. They were hard hit by recession and operating profit rose only to £3.4m (£2.3m).

Associated companies - the joint venture bid to open a new sewage sludge treatment plant - again cost £100,000. The Department of the Environment has turned down the project's appeal and the group will now have to investigate incineration schemes.

Net interest payable was £3.5m, compared to £2.2m receivable. Capital expenditure of £52m and acquisitions of £7m in the first half took net debt to £54.4m, compared to £55.8m cash in September 1991 and £6.1m net cash in



Sir Michael Straker: welcomed recent agreement with Ofwat

March 1992. Sir Michael Straker, chairman, said that he welcomed the stability given by the recent agreement with Ofwat, the water industry regulator, to allow increases in charges of 6 per cent above inflation in 1993-4 and of 7 per cent the following year.

COMMENT

The eye-catching increase in pre-tax profits owes even more to Northumbrian's investment fund than to its core businesses. That fund is now wound up, net cash has become net debt, and growing interest bills will begin to restrain profits growth. The group's attractions remain its larger than average non-regulated businesses and high dividend cover. But if the National Rivers Authority chooses to take a stringent interpretation of the EC Urban Waste Water Directive that could double the annual capital spending bill. That uncertainty, the likelihood of tighter regulation after Ofwat's 1994 industry review, and the strong performance of the shares so far this year may mean that short term performance is dull.

Reduced losses at 600 Group

By Peter Pearce

HELPED BY a pension credit of £246,000, the 600 Group, the machine tool and mechanical handling equipment company, sharply reduced its pre-tax losses from £2.32m to just £97,000 in the six months to September 30.

Mr Simon Powell, group finance director, said that the capital goods sector had seen little glimmer of any upturn except for "the odd sign in small ticket stuff". Although turnover eased to £49.4m (£50.7m) the company made trading profits of £499,000

(losses £1.18m). Losses per share were cut from 5.1p to 1.1p but the interim dividend is maintained at 1p with a £1.1m (£3.28m) transfer from reserves.

Within the machine tool division, Colchester Lathe has now been amalgamated with TS Harrison, with the former's site being sold to Tesco for £12m net. Borrowings were paid down (giving the lower interest), but have since risen with relocation and redundancy costs. Gearing rose from 12 per cent at the March year-end to 20 per cent at September 30 but is expected by Mr Pow-

ell to reduce in the second half. Mr Powell said that for the first time in over two years orders received were exceeding sales. About 60 to 65 per cent of total sales go for export. Sir Jeffrey Benson, chairman, said that benefits were beginning to show from the previously implemented cost controls, restructuring and new product policy.

Mr Powell said that in the half 224 jobs had been shed bringing the group total to 1,653. He said that two years ago the figure had been 2,800 and that virtually all the job losses had been in the UK.

Rental strength lifts Warner Howard 9%

By Matthew Cuthin

THE APPEAL of renting rather than buying commercial equipment in a recession helped half-year results to August 31 at Warner Howard, the UK's leading supplier of commercial laundry equipment and warm air hand-dryers.

Warner, which earns most of its revenue from life-of-equipment rental agreements, reported a 9 per cent increase in pre-tax profit to £3.01m (£2.78m), even though turnover rose only £130,000 to £11.2m. Operating profit was £3.08m compared with £2.8m. Earnings per share increased to 8.59p (8p), and a 10 per cent higher interim dividend of 2.12p (1.92p) is declared.

Mr Ernie Hazell, managing director, said Warner's higher pre-tax profit was pleasing given that revenue was flat overall. It was a reflection of the success of the group's rental business as well as cost cutting.

He said development of a rental culture and nationwide operations at its Euroelectrics

subsidiary - which was a sales-driven business confined to the London area when bought by Warner two years ago - was more than compensating for poor equipment sales.

Increasing rentals at Derek Wright (Food Machinery), a beverage machines supplier, was proving harder to achieve, but sales were firm.

Hazell said Warner's rental business "acts as a buffer against the recession". In hard times, there was a dearth of alternative financing facilities as businesses' capital spending dried up, and financing companies were reluctant to service small purchases for customers with lower credit ratings. Rental agreements therefore became increasingly attractive.

Mr Hazell said Warner's catering, laundry and hand-dryer business was exposed to the leisure and construction industries, and the group would depend on a turnaround in these sectors for its performance to improve sharply.

Receivers appointed at Henry Barrett

By Andrew Bolger

ADMINISTRATIVE receivers were yesterday appointed to Henry Barrett Group, the Bradford-based steel stockholding and construction company, which suspended its shares on Wednesday at 7p.

Five subsidiaries are in receivership - Westbury Tubular Structures; Don Reynolds, which makes flat-panel cladding; Potter Johnson, which fabricates steel-framed buildings; OSS Origo, a materials handling company; and E3 Projects, which manages construction.

Subsidiaries not in receivership include Henry Barrett Steel Services, the stockholding side of the business; Henry Barrett Steel Buildings; and Lindpater International, the special fastenings group. The

receivers - Mr Alan Griffiths, Mr Peter Flesher and Mr Geoff Gee from Grant Thornton - said all three had interested buyers and negotiations for sale were underway.

Mr Gee said the companies in receivership would continue to trade while potential buyers were sought. It was too early to tell whether redundancies would be inevitable.

The group employs 750 people, of whom 400 are based in Bradford with a further 31 in Wetherby, Yorkshire. A total of 235 employees are in subsidiaries affected by receivership.

Henry Barrett has been supported for some time by its banks, led by Barclays. It appears that the group's failure to achieve any of the disposals under negotiation, along with the gloomy trading outlook, led to the receivership.

John Waddington moves ahead 18% to £7.76m

By Paul Taylor

JOHN WADDINGTON, the packaging, printing and games company, reported higher interim profits, helped by the absence of exceptional charges.

Pre-tax profits increased by 17.5 per cent to £7.76m in the 26 weeks to October 3, up from £6.66m in the corresponding period last year when profits were reduced by a £1.0m charge in exceptional costs to cover redundancy and relocation costs.

Earnings per share increased to 7p (6.12p), and the interim dividend is unchanged at 3.5p.

Despite "extremely difficult trading conditions" sales volumes increased in most businesses and margins improved in all three divisions. The margin gain was attributed to the group's capital investment programme and savings produced by last year's cost reduction programmes.

Operating profits from continuing businesses increased by 5.8 per cent to £9.48m (£8.95m) on turnover which was flat at £108m (£107.6m) reflecting weak market prices. Discontinued operations last time added £442,000 to operating profits and £7.25m to turnover.

In the packaging division operating prof-

its increased to £5.68m (£5.44m), despite a 3 per cent decline in sales to £51.6m (£53.6m) which reflected the impact of the dollar's weakness on the group's US plastic food-services business.

Waddington's Cartons' sales volume grew by 15 per cent, helped by significant growth in some of the company's main accounts. However, the group's label business experienced difficulties after Waddington's of Gateshead lost a large Heinz contract, resulting in a £400,000 operating loss and the need to make further cost cuts, including redundancies.

Operating profits in the business forms and specialist printing division rose to £1.77m (£1.59m) on sales which increased to £38.5m (£32m). Waddington's Business Forms continued to suffer the effects of overcapacity in the industry, but the group's two specialist printing companies, Chorley and House of Questa, improved sales and profits.

The games division, responsible for some of Waddington's best-known board games, such as Cluedo and Monopoly, also performed well despite the difficult retail market trading conditions. Trading profits improved slightly to £3.02m (£1.92m) on sales marginally higher at £12.4m (£12m).



Victor Watson, chairman of the John Waddington group

International publishing boost for Euromoney

By Raymond Snoddy

EUROMONEY Publications, the publisher of specialist magazines, yesterday reported a 35 per cent increase in pre-tax profits to £13.8m in the year to September 30.

The company warned, however, that first-quarter revenues were likely to be down on last time because "upheavals in foreign exchange markets, Europe's political difficulties and the emerging troubles of many international banks have weakened confidence".

Euromoney, 76 per cent of which is owned by the Daily Mail and General Trust, said it achieved record results from international financial publishing, with a sharp rise in revenues from central and eastern Europe.

Euromoney said that regional magazines in Latin

America and Asia also produced record results, as did energy, law and tax publishing and database and information services. Publications in the aviation and leasing sectors continued to suffer from the recession in their markets.

Operating profits by 47 per cent to £11.6m and earnings by 33 per cent to 44.4p a share. A final dividend of 21.5p makes a total of 29.5p (22.5p).

Since the half year Euromoney has bought four companies for a total of £1.9m, including Asia Law and Practice and Mundy Perry, publishers of a port operators' and users journal.

The best Euromoney performer was international financial publishing, with operating profit up from £6.05m to £8.78m followed by law and tax publishing up from £899,000 to £1.28m.

Clark gives Henry Moore the boot

On Sunday morning huge cranes will rumble through the Somerset village of Street to remove one of its most famous landmarks. C&J Clark, Britain's biggest shoe maker, is selling the giant Henry Moore

sculpture which graces the lawns of its headquarters, writes Peggy Hollinger.

The 3½-tonne bronze sculpture, entitled Sheep Piece, is thought to have been sold for about £2m.

Although the buyer remains anonymous, it is believed that the sculpture will go abroad. Clark intends to commission another sculpture to sit in its planned retail development behind the headquarters.

MAES Funding No. 2 PLC

£300,000,000
Mortgage Backed
Floating Rate Notes due 2017

Notice is hereby given that the Rate of Interest has been fixed at 7-2125% for the interest period 11th November, 1992 to 11th February, 1993.

The interest amount payable on 11th February, 1993 will be £778-08 in respect of each £42,800 Principal Amount Outstanding of each Note.

Agent Bank
11th November, 1992

This announcement appears as a matter of record only January 1992

£105,000,000
Long and Medium Term Loan Facilities

to finance the transfer of housing stock from
Tunbridge Wells Borough Council

Structured and Arranged by
National Westminster Bank Plc
Halifax Building Society

Provided by
Halifax Building Society
Bank of Scotland
Banque Paribas
National Westminster Bank Plc
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Facility Agents
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Halifax Building Society

Adviser to the Borrower
UBS Phillips & Drew
Securities Limited

NatWest Corporate Finance

Chief Accountant

West Country
c £50,000 + bonus + benefits

Our client is a highly successful international trading arm of a major UK plc, with an exceptional portfolio of well known and leading branded products. Recent restructuring, to focus on key products and worldwide markets, has resulted in the creation of this new post.

Reporting to the Finance Director, prime responsibilities are to direct the financial accounting and financial services activities, including taxation and foreign exchange management. The role will include management of complex financial reporting which will involve worldwide consolidation of key performance measures and statutory reports and consequently considerable overseas travel.

The key requirement is for a high calibre, qualified accountant with proven experience of success in managing a similar challenge - either in a large international group or in an accounting practice. The ability to lead an ambitious team of young finance specialists should be coupled with above average communication and technical skills. Fluency in a second European language, such as French or Spanish, will be an advantage. Prospects for development in the international group are excellent.

There is a generous remuneration package which reflects the importance of this post and includes assistance with relocation.

Interested candidates should send comprehensive c.v.'s to Mavis Woud, KPMG Selection & Search, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone: (0272) 732291.

KPMG Selection & Search

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Regional Internal Audit Manager

Union Bank of Switzerland Singapore

UBS, Switzerland's largest bank, is prominent throughout the world. They are renowned as a dynamic and innovative organisation with a strong international focus. Already well established in East Asia, they are now poised for further growth in this region.

Singapore, which serves as the Regional Headquarters, is an exceptional location in which to live and work; with full employment, low inflation and annual growth averaging 8%.

Whilst the position of Regional Internal Audit Manager will be based in Singapore, your responsibilities will involve travel throughout the East Asia region. You will be responsible for directing, planning, co-ordinating and reviewing the region's internal audit, including

preparation of an audit strategy. You will also liaise with various Unit Heads in each location on audit requirements and to ensure that relevant control procedures are uniformly adopted. A major challenge will be monitoring the bank's new and innovative financial products and ensuring that audit techniques can continually meet the changing needs of the business.

This is a permanent appointment, ideally suited to someone seeking to relocate to Singapore on a long term basis. You will be either a Chartered Accountant or CPA, with a minimum of 5 years experience in audit, including management responsibilities. You should be familiar with modern audit techniques and computerised systems in a multinational environment. Whilst not

absolutely essential, experience of treasury products and/or banking audits will be an advantage. You should also have excellent interpersonal and communication skills and the ability to work independently.

In addition to an attractive salary, benefits will include relocation, local housing, medical and other top tier benefits.

Final interviews are due to take place in early December. Therefore, please send or fax a comprehensive CV as soon as possible quoting reference R/1308 to Heather Thomas, Executive Search & Selection Price Waterhouse, 1 Moor Lane, London EC2Y 9PB. Fax: 071-638 1338.

EAST ANGLIA

c £55,000 + CAR + BENEFITS

Finance Director

Our client is a multi-site, £50m turnover quoted plc in the manufacturing/engineering sector. Several of their core products enjoy market leading positions reflecting their emphasis on quality and reliability.

Reporting to the Managing Director, you will participate fully as a key member of the head office team, assuming responsibility for all aspects of financial management. Rapid and effective reporting, cash flow and asset management continue to be ongoing issues requiring strong financial leadership. The role is broadly commercial, requiring wide-ranging involvement in both the operational and strategic management of the business.

A qualified accountant, probably in your late 30s, you will have a proven record of managing the finance function within manufacturing/industrial businesses. You will have a practical,

sharp approach to financial management with an ability to quickly focus on the key issues, bringing a decisive and innovative approach to resolving them. An individual with drive and initiative, you must demonstrate a strong management aptitude and the personal style to inspire others.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Ann Shepherd, Coopers & Lybrand Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference AS951 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

WALL DATA (UK) LTD

Financial Accountant

West London

c. £25,000 + car + stock options

This is a superb opportunity for a young graduate qualified accountant to join the UK subsidiary of Wall Data, a fast moving US software company.

The company has experienced dramatic growth over the past few years with its RUMBA family of PC-Host communication products and has established clear market leadership.

Reporting to the Finance Director, European Operations, you will be responsible for the day-to-day running of the finance department, all financial and management reporting - and play a major role in the installation and management of new

information systems.

In your mid-twenties, you should offer an impressive track record - within the Profession or Industry - and, crucially, the work ethic and ambition required to thrive in a small team within a high growth, high change organisation.

To apply, please send your CV without delay, quoting Ref FT11, to Paul Henry at the company's Recruitment Consultancy: Henry MacLeod & Partners, Arch House, 2-4 High Street, Chalfont St Peter, Bucks SL9 9QA. Tel: 0753 880313. Fax: 0753 884053.

HENRY MACLEOD
A MEMBER OF THE ARCH GROUP

FINANCE DIRECTOR

BLOOMSBURY PUBLISHING LTD

Bloomsbury Publishing Ltd, the dynamic force in British book publishing, is looking for a Finance Director. The right candidate will probably be aged between 30 and 40 and will be a qualified chartered accountant with PLC experience. He or she will have a hands-on approach to heading up Bloomsbury's accounts department and also will have the weight and presence to become the main point of contact with the firm's City shareholders. High computer literacy, an aggressive style, and a desire to get involved in all aspects of the publishing business would all be an advantage. Salary and conditions commensurate with the importance of the job.

Please apply in writing only to:
Nigel Newton
Managing Director
Bloomsbury Publishing Ltd
2 Soho Square
London W1V 5DE



BLOOMSBURY

Finance Manager - Europe

West London £35,000 plus benefits

Eicon Technology was established in the UK in 1988 and has an impressive track record of growth. The Company provides computer connectivity solutions, namely emulation software, network gateways and routers, employing 50 staff in the UK and Europe. The Company has branches in Germany and France and is looking to continue expanding in continental Europe. The Canadian parent company is currently establishing an R&D and manufacturing operation in Dublin.

Due to the continuing growth of the Company, Eicon wish to appoint a Finance Manager who will assist in the development of the financial systems and controls of the Company, both in the UK and Europe, and who will support and advise the Managing Director and the management team in all financial matters affecting the operations of the company.

Applicants will be qualified accountants with at least five years line management experience, preferably of working in Europe or with European subsidiaries, and of reporting to an overseas Head Office. An ability to communicate in French or German would be beneficial. Experience of computer-based accounting and management information systems, and an involvement with strategic planning and change due to growth, is essential.

Applicants should apply in writing enclosing a detailed CV and quoting reference number 4406/45 to the address below.

EICON
TECHNOLOGY

Connecting People to Information™

Jonathan Wilkinson,
Head of Executive Recruitment,
Pennell Kerr Forster Associates,
New Garden House,
78 Hatton Garden,
London EC1N 8JA.

Litigation Support Managers

LONDON to £40k+ car + bens
MANCHESTER to £30k+ car + bens

Renowned for an innovative approach to the problems facing modern business, Levy Gee has enjoyed sustained growth in recent years. We now require additional high calibre Litigation Support specialists to play a key role in the further expansion of our Forensic Accounting activity in both London and Manchester.

THE ROLE

- To provide expert witness evidence on behalf of both plaintiff and defendant in both personal and commercial cases.
- Additional involvement in both the prevention and proof of fraud, business reviews, and acquisitions and disposals work.
- To make an early contribution to marketing the department to outside contacts and introducers of work.
- Excellent prospects for further career progression.

THE PERSON

- Qualified Accountant with 2-3 years' specialised Litigation Support experience.
- Must be able to communicate technical issues clearly and concisely to specialists and laymen alike.
- Proven managerial ability in order to train and motivate others.
- Strong marketing, business generating and negotiation skills.

Please write, enclosing a current CV to Jane Ryley, Personnel Manager, 100 Chalk Farm Road, London NW1 8EH. Tel: 071-267 4477. Interviews will be held in Manchester and London.

LEVY GEE
CHARTERED ACCOUNTANTS

LONDON • MANCHESTER
WORTHING • CROYDON

DIRECTOR OF FINANCE

We are a group of companies with diversified business in different parts of the world, operating out of the Middle East.

The Director of Finance will analyse, revise and implement accounting and financial systems and operations of the group and member companies.

You are a university graduate with over 20 years experience in company accounting, financial management and banking operations. You have excellent computer skills and excellent spoken and written English and Arabic. A hard worker, ready to travel whenever necessary and willing to be part of a growing team.

Please send c.v. accompanied by a recent photograph to:
Box A613, Financial Times,
One Southwark Bridge, London SE1 9HL.

FINANCIAL ANALYSIS MANAGER

This is an opportunity to make your mark with Sun Microsystems, the world's leading supplier of client server computing solutions which feature networked workstations and servers. We are a multi-billion dollar corporation operating worldwide, with our European manufacturing base in Llanthegid, West Lothian.

With overall responsibility for our European Operations financial analysis department, your brief will cover all aspects of this vital function, from forecasting and reporting on manufacturing and distribution costs, through product cost analysis to the management reporting of company-wide financial results. The department currently consists of six professional financial analysts, therefore the proven ability to manage and delegate effectively is of vital importance.

The role will demand the skills of a professional Accountant with at least 10 years experience, some of which will have been gained within a multinational high technology organisation at a managerial level. Educated to honours or masters degree level, your track record will demonstrate an ability not only to shape your own career, but to influence the future of this world leading company.

We believe in recognising and rewarding the contribution of every employee, and our remuneration package will certainly not disappoint the highest achiever. Benefits will also include relocation, where appropriate, to this attractive rural location, close to both Edinburgh and Glasgow.

Please apply in writing with full CV to:
Brian Clarke, Sun Microsystems
Scotland BV, Springfield, Llanthegid,
West Lothian EH49 7LR.
Tel: 0506 672306.

sun
microsystems

Audit Managers and Seniors

We have vacancies for qualified accountants, with or without "Big 6" experience, in the following offices:

Seville and Valencia - Recently qualified
Pamplona, Barcelona and Madrid -
2 to 5 years' post qualifying experience.

The annual salaries are negotiable starting from a base of Ptas. 5,000,000 for recently qualified accountants to Ptas. 8,000,000, depending upon experience and other factors.

Candidates should be native English speakers and if they do not already know Spanish should have sufficient linguistic skills to be able to learn it rapidly.

Preference will be given to unmarried candidates and those whose spouses are native Spanish speakers.

Visiting partners will conduct preliminary interviews in London and Edinburgh during November, and selected candidates will be invited to make office visits to Spain shortly thereafter.

Those interested please mail or fax complete CVs to: Mr Alex Verth, KPMG Peat Marwick y Cia, Paseo de la Castellana, 95, 28046 Madrid, Spain. Fax: 34 (1) 555 01 32.

KPMG Peat Marwick y Cia Auditores SRC

Appointments Advertising
appears every

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Financial Controller

Greater London

c £45,000

package

+

car



Our client is an autonomous subsidiary of a large multinational marketing and manufacturing Group.

The Company has an impressive record of sales and profit growth and is the market leader in its field. One of the major challenges ahead is the development and expansion of a new Region encompassing the East European Countries.

The tremendous opportunities in this marketplace have created the need to recruit a talented Financial Controller to join the senior management team at the Headquarters in Greater London.

Reporting to the Regional General Manager, this position will involve:

- strategic and operational decision making to develop new business
- negotiation of marketing and manufacturing agreements
- investment appraisal and evaluation of marketing initiatives
- establishing legal accounting entities for new countries and recruiting local finance personnel

- design, implementation and development of computerised management information systems
- development of management and financial accounting procedures and controls for the operating subsidiaries
- development of business planning and management reporting for the Region
- treasury management, planning and control

Candidates, aged 28 to 35, must be graduate calibre qualified accountants with broad accounting and commercial skills gained in an international business environment. Strong intellectual abilities should be combined with good interpersonal skills and a flexible approach to problem solving. Language skills and previous exposure to East European business are desirable but not essential.

The successful candidate will have a unique opportunity to achieve innovative solutions within the rapidly expanding East European marketplace.

Applicants should write (enclosing a Curriculum Vitae and details of current salary) to: Peter Ward ACMA, Martin Ward Anderson, Goswell House, 134 Peasod Street, Windsor, Berks, SL4 1DS

FOREIGN EXCHANGE MANAGER

THE BLACK & DECKER CORPORATION

The World Headquarters of the Black & Decker Corporation located in the Baltimore area of Maryland is now searching for an individual to manage the worldwide foreign exchange risk function. Successful candidates will have the following:

- 3-5 years of foreign exchange trading experience in a multinational corporation or financial institution involving forward contracts and OTC options.
- Ability to customize hedging programs for different users.
- Strong verbal skills and pose necessary for assisting financial directors worldwide with foreign exchange requirements.
- Strong computer skills for tracking foreign exchange portfolios, developing spreadsheets, and performing financial analyses.
- Knowledge of accounting and tax as they relate to foreign exchange.
- Ability to travel internationally on an occasional basis.

This individual will be responsible for an annual trading volume of approximately \$10 billion, including forward exchange contracts and options.

For consideration please send confidential resume with salary history to the following address:

BLACK & DECKER

BOX 70/82

701 East Joppa Road, Towson, MD 21286

Equal Opportunity Employer M/F/D/V

Divisional Finance Director

Midlands

This rapidly expanding international group is a clear leader in a number of sectors within a highly competitive, retail-driven market. Success has been achieved by total commitment to quality and customer service, allied to creative product development and tight financial control.

The Managing Director of a high-growth division wishes to recruit a highly commercial Finance Director.

Key tasks will include:-

- providing day-to-day support to the Managing Director in the successful pursuit of profit objectives;
- contributing to the strategic direction of the business;
- targeting, review and implementation of acquisitions in both the UK and overseas.

A graduate qualified accountant, aged 35-45 years, you will demonstrate a first class track record in blue chip FMCG companies, with broadly based financial responsibilities.

Vital attributes will be:-

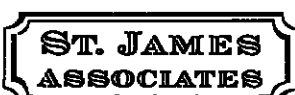
- proven ability to contribute to commercial decision-making;
- hands-on management style;
- practical experience in the acquisition process, preferably on an international scale.

Excellent interpersonal skills will need to be combined with high credibility, a persuasive negotiating style and strong commitment to success. A second European language would be an asset.

Future prospects are extremely exciting, and could include further roles in finance or a move into general management.

A highly competitive remuneration package includes executive car, bonus scheme and relocation to this attractive and convenient part of the country.

Interested applicants should write, enclosing a detailed CV, to Linda Carpenter at the address below, quoting reference number 128J.



MANAGEMENT SELECTION
32 OLD BURLINGTON STREET, LONDON W1X 1LB.
A GKR Group Company

To £55,000 + Car + Benefits

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PDFM

Develop a Career in Fund Management

Excellent City Package

Phillips & Drew Fund Management is one of the UK's major institutional fund management organisations.

We are now beginning the search for newly qualified accountants/actuaries, aged mid 20's, seeking a career in fund management.

Our comprehensive training programme, which begins in September 1993, will be aimed at enhancing your existing expertise with the specific analytical skills required for early responsibility in investment decision making.

To succeed, you will need to be numerate, articulate and possess the personality to excel in a team environment. In return we are offering a competitive salary and first-class city benefits.

In the first instance please write for an application form to: Linda Tottern, Senior Personnel Officer, PDFM, Triton Court, 14 Finsbury Square, London EC2A 1PD. PDFM is a subsidiary of UBS Asset Management (UK) Ltd.

FINANCIAL CONTROLLER

Global Financial Markets

c£50k + attractive benefits package

Our client is the global proprietary trading arm of a major international corporation. Their involvement covers worldwide markets for fixed income, equity, money market, foreign exchange and derivative products. To facilitate their extremely aggressive growth plans, they seek to appoint an ambitious graduate and qualified accountant. The role will manage all aspects of the financial function, including accounting, operations, compliance and co-ordination of all tax and legal work.

Applicants must have at least 10 years relevant experience which has included exposure to financial markets. Additional skills will include strong UK/US tax knowledge and systems experience as well as proven staff-management ability.

The ideal candidate aged 30-40, is a flexible, commercially aware team leader with excellent communication skills and high energy, who would relish such a broad ranging and challenging management role.

For further information please contact Helen Hight on 071-623-1266

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

Director of Finance

(Europe)

Reading

c.£40,000 + car + benefits

Our client, a US owned manufacturing group in the specialty chemicals business with operating subsidiaries throughout Europe, is looking to recruit a commercially aware accountant to the position of Director of Finance (Europe).

Functioning as part of the management team, the successful candidate will report to the Corporate Vice President responsible for European operations and will additionally take responsibility for treasury and company secretarial matters. The emphasis of the role will be to make a major contribution to the commercial aspects of the zone and individual operations from a financial standpoint including the enhancement of systems and management information reporting.

Candidates for the position should be qualified chartered or management accountants, aged 35/45. Ideally they should have first hand experience of working in a medium sized

manufacturing environment (batch processing) with, preferably, European and US interests. The successful candidate must be able to demonstrate full competence in the field of management accounting and MIS. Good analytical, communication and inter-personal skills are considered essential. A working knowledge of tax and company secretarial duties would be desirable. Above all, the client is looking for an energetic team player who will fit into the culture and make an active contribution to this truly successful company.

Interested candidates should write enclosing a detailed curriculum vitae with salary details and quoting reference JC421 to Jeff Cottrell, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH.

ERNST & YOUNG

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appears every Wednesday & Thursday & Friday
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For further information please call:

Richard Jones on 071-873 3460
Teresa Keane on 071-873 3199
Alison Prin on 071-873 3607
Philip Wrigley on 071-873 333

Joanne Gredell New York 212 752 4500

FINANCIAL CONTROLLER

British translation company needs FC, auditor and manager. Energetic person with imagination and determination; someone who is demanding of himself and others. We need experience and confidence to help us grow.

CV and salary experience to:
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Leamington Spa CV32 5SY

c. £50,000 +

bonus/equity potential

Business Services
Group

M4/M40
Corridor

Finance Director

First appointment by new CEO to help steer the commercial development and growth of a highly profitable and cash-generative £3 million business with international sales and activities in data capture and related services. The business represents an exciting vehicle for growth and is backed by well-known venture capitalists committed to expansion. Requires a talented finance professional with both strategic vision and proven managerial ability to contribute to profitable growth and increasing shareholder value. Flexible package with realistic prospects for capital gain.

THE ROLE

■ Install financial, administration and management reporting systems that are sufficiently flexible to accommodate substantial organic and acquisitive growth. Maintain tight day to day financial and administrative control over UK and overseas operations.

■ Active participation with the CEO in determining future strategy. Close involvement in valuing, negotiating and integrating acquisitions.

■ Assume responsibility for wide-ranging ad hoc projects as required in a small, tightly run company. Manage professional advisers and liaise with the City.

London 071 973 8484
Manchester 061 437 0375

Selector Europe

A Spencer Stuart Company

Please reply, enclosing full details, to:
Selector Europe, Ref. F2950112L,
16 Connaught Place,
London W2 2ED

ROOM AT THE TOP?

Top level executives have to plan their career moves carefully. Connaught can help you find that next important job.

For over a decade, our experienced professionals have helped solve senior executive problems - quickly and confidentially. Blue Chip companies use our Outplacement services for their top executives. Top advisors are available for confidential meetings to discuss your career. Ask for the DIRECTORS SERVICE 22 Smith Row, London W1X 1AG Tel: 071 734 2679 Fax: 071 734 2620

EXECUTIVE CAREER SERVICES

APPOINTMENTS WANTED

PROFIT AND ACTION ORIENTATED Senior Executive, Managing Director 49, experienced all aspects of business management, cost cutting, restructuring business and analysis, financial planning. Expert marketer with international experience, continuous approach, U.S. trained. Seeks senior appointment Senior or Division. Wide background, food, capital equipment, domestic goods. Best Advice, Financial Times, One Southwark Bridge, London SE1 9NL.

BELGIUM

UK FCA qualified May 1963, multilingual, living in Belgium since 1967. Ex Big 8 senior auditor and US multinational Financial Controller. Available for regular long or short period assignments in accounting, audit assistance, market studies, acquisitions, stock-taking etc. Additional local assistance available for larger assignments.

Please write to Box A1965, Financial Times, One Southwark Bridge, London SE1 9NL.

Finance Director

East Midlands c£40,000 + Car + Bonus + Options

Our Client, a subsidiary of a successful electronics PLC, need a professionally qualified Finance Director to take full responsibility for the financial management of the business.

Selling into international markets, the company has secured a reputation for product excellence and innovation.

Reporting to the Managing Director, your role will be firmly rooted in the provision of detailed pertinent financial information and will involve extensive liaison with the management team which includes non-financial personnel. The ability to maximise their understanding, and the contribution of financial management to profit performance, is essential. Success in the role will require commercial flair and communication skills of the highest order.

Interested applicants should send a full C.V. and salary information and details of notable achievements, to Steven French, quoting reference B406/92.

KPMG Executive Selection

Peat House, 2 Cornwall Street, Birmingham B3 2DL.

EXCITING OPPORTUNITY FOR A DYNAMIC YOUNG ACCOUNTANT TO DEVELOP A HIGH PROFILE CAREER IN A STRONGLY COMMERCIAL ROLE.

FINANCIAL DIRECTOR BUDAPEST **MARKETING SERVICES TO £45,000**

THE COMPANY operates in 78 countries with 122 offices. Group T/O is £8 billion. The Hungarian operation is experiencing rapid growth.

THE POSITION reports to the C.E.O. & to the Regional F.D. It is a key member of the management team. With responsibility for the financial strategy of the company, the challenge is to review and enhance the accounting systems and controls, manage the working capital & negotiate client contracts.

YOU are aged 28-40, ACA or ACCA, and ideally speak Hungarian. You have a hands-on management style & strong interpersonal & commercial skills. You have worked in a service industry & can demonstrate sound systems & management accounting expertise gained at senior level. Please reply enclosing your full cv to Rod Leefe at the address below. All applications will be treated in full confidence.

ACCOUNTANCY SELECTION, 118-119 NEWGATE STREET, LONDON EC1A 7AE. TELEPHONE: 071-806-2686

6/2/93 11/11/92

BANKING FINANCE & GENERAL APPOINTMENTS

CORPORATE PLANNING EXECUTIVE

Excellent Package

Reigate, Surrey

Redland PLC is one of the largest construction materials companies in the world, with operations in over thirty countries. It is the world's leading manufacturer of roofing products and systems, the second largest producer of construction aggregates and a major brickmaker.

Redland has a small Corporate Planning team at its head office which identifies and analyses options for the development of the group. The work is challenging and wide-ranging, requiring financial, strategic and marketing skills.



The Position

A vacancy exists for a senior member of the team. Reporting to the Director of Corporate Planning who reports to the Chief Executive, you will actively support the operating divisions in the strategic development of their businesses. You will carry out financial and marketing studies on international business opportunities, and participate in the negotiation of acquisitions. This is a demanding project-oriented role, involving regular interaction with divisional directors and the Redland Board.

Skills and Experience

- Excellent academic qualifications. Possibly MBA.
- Impressive start to career. 3-6 years' business experience in blue-chip industrial plc or consultancy.
- Must be financially acute and have proven analytical skills.
- Must be confident of liaising at the most senior management levels. Strong verbal and written communication skills.
- International outlook important. Languages highly desirable.

Please apply in writing, enclosing full CV and current salary, to: Mrs. Christine Watts, Redland PLC, Reigate, Surrey RH2 0SU. Closing date for application: 25th November.

Redland

Manager, European Tax

Are you up to our combined challenge of managing our steady growth in Western Europe and the expansion into Eastern Europe?

Levi Strauss & Co. is the leading name in branded apparel worldwide. Our success is the result of consistent innovation at all levels in the business: product design and marketing, manufacturing, customer service and commitment to the growth of our people.

We currently have an excellent opportunity for an experienced European professional with strong technical, people and project management skills to manage our European tax team in Brussels. In this key position you will utilize your exceptional planning skills to develop and implement transactional projects, prepare for and manage our European tax audits.

To qualify, you must have a Law Degree or a CPA, 10 years' experience in corporate tax with at least 6 years' extensive international tax experience, and a solid working knowledge of U.S. and European tax laws. U.S. tax knowledge should include foreign tax credits, transfer pricing, foreign exchange and reorganizations. Additional requirements include strong communication and interpersonal skills for effective interaction with senior management and experience in European tax compliance and tax accounting.

Levi Strauss & Co. is a special company. We're committed to our people, our products and the social and physical environment in which we operate. We seek others who share these commitments and who aspire to the principles of ethical management practices, diversity of opinion, teamwork and empowerment.

For consideration, please FAX your resume today to Julio Sanchez at (415) 544-1468, Levi Strauss & Co., Employment Department JS-09, P.O. Box 7215, San Francisco, CA 94120. We are an equal opportunity employer.



QUALITY NEVER GOES OUT OF STYLE

Fleet Bank of Massachusetts is expanding its Foreign Exchange Dept. We are currently looking to fill these prominent positions which offer competitive salaries, benefits and an attractive incentive compensation plan:

Foreign Exchange Chief Dealer

Take advantage of this significant opportunity for expansion in a growing area. Reporting directly to the Executive Vice President of International Treasury, you'll apply your 7-10 years' experience in Foreign Exchange and your expertise in managing Foreign Exchange clients in this challenging position. Extensive experience in Spot, Forward and Option markets required. A proven track record is a must.

Senior Dealer

To qualify for this key position, you must have 5-7 years' experience in Spot dealing. Knowledge of the Foreign Exchange market is essential. Opportunity for rapid advancement and excellent career growth.

Here's a place where you can make a difference. We're looking for people who are motivated, energetic and have a proven track record in the Foreign Exchange market. If you're ready to take the next step in your career, please send your resume to: Human Resources, Fleet Bank of Massachusetts, Code FFX, MABOS17EMP, 28 State Street, 17th Floor, Boston, MA 02109. No phone calls please. Fleet Financial Group values diversity. We are an affirmative action/equal opportunity employer.



A Member of Fleet Financial Group

We're here to make a difference.

CREDIT MANAGEMENT

The Head Office (London) of this UK based commercial Bank, seeks an experienced professional Credit Manager to direct the activities of the Credit Department.

Reporting to a member of the Management Board, the Credit Manager will be responsible for:-

- Liaising closely with relationship managers to develop business opportunities.
- Analysing financial proposals including both domestic and international banking.
- Monitoring and controlling problem accounts.

The successful candidate will have had formal credit training in a leading UK/International bank with a proven background in the development of new product documentation. This team player will have at least five years experience in a demanding credit environment covering domestic banking, trade finance and international exposures together with demonstrated administrative management ability.

In return, the Bank offers a highly competitive remuneration and benefits package - together with strong prospects of future career growth.

Please reply in confidence with a detailed CV and salary history to: Box A1986, Financial Times, One Southwark Bridge, London SE1 9HL.

GRADUATE TRAINEES

Tradition (UK) Ltd, an international money broker with offices in all major financial centres, is seeking suitable graduates to work in off-balance sheet markets.

The successful candidates will be numerate, quick-thinking and personable. An extra language would be advantageous.

Please reply to the Personnel Manager enclosing a CV and any other relevant information to the address shown below:

Tradition (UK) Ltd
Beaufort House
15 St Botolph Street
London
EC3A 7DT

INTERNATIONAL PRIVATE BANKING

Founded in Canada in 1899, Royal Trust is one of the world's leading Trust companies with assets under administration of C\$150 billion. We have offices in key financial centres throughout the world, providing a wide range of financial services to customers in over 100 countries. The brief of the International Private Banking Team is to offer private access to the global economy for individual clients and their advisors.

We are now expanding our international private banking operations in Birmingham and London. We need to recruit up to five experienced professionals, with a legal, accounting or private client background and a specialist knowledge of fiduciary services or investment management. Their role will be to establish, build and manage relationships by meeting clients' needs for wealth protection and enhancement, whether directly or through the clients' professional advisors.

BIRMINGHAM

We wish to recruit a leader for our small private banking team in Birmingham, whose task will be to build both the client portfolio and the team. Applications are also invited for two additional positions on the team.

LONDON

We are looking for two new team members, with a minimum of five years' experience of working with domestic and international high net worth clients and the companies which they control, to join our existing City based team.

We offer fully competitive salaries plus mortgage subsidy, non contributory pension and life assurance. Applications with full cv should be sent to Mike Burns, Managing Partner, Human Resources, Royal Trust Bank, Royal Trust House, 48-50 Cannon Street, London EC4N 6LD. Please quote IPB on envelope.



OVERSEAS FUND MANAGERS

North American and South East Asian Equities

London Based

Clerical Medical currently manages approximately £6.5 billion, of which £1.4 billion is invested in overseas equities. We are well respected for our performance across a range of funds which include unit trusts, pensions and a life assurance fund.

We have exciting opportunities now for two high calibre Fund Managers, one to join our North American team and the other to specialise in South East Asia excluding Japan.

To be considered you should have 5 years' experience of the relevant markets with at least 2 years of actual fund management responsibilities. You are likely to have a good honours degree and ideally you will also have investment marketing experience.

In return we can offer an excellent career opportunity since the value and number of funds is expected to continue to rise. There will be a competitive salary and performance related bonus together with a benefit package that includes non-contributory pension, private health insurance and a mortgage subsidy.

For an application form please telephone our Group Personnel Department on 071 321 1537 or 0275 552537 (24 hour answerphone).

Clerical Medical INVESTMENT GROUP

THE CHOICE OF THE PROFESSIONAL

European Equities

Assistant

Fund Manager

This is an opportunity to join the fund management arm of one of the UK's most highly respected financial services groups. As the Assistant to the European Fund Manager you will be responsible for making recommendations in a variety of Continental European markets and for contributing to the overall European investment strategy.

The ideal candidate will have at least three years' experience in a similar role, utilising a variety of investment techniques, preferably with some quantitative knowledge. Good communications skills and the ability to utilise computer based systems are essential.

Salary is negotiable but will reflect your experience and suitability, and will be supported by a package of other benefits.

Please send a C.V. to: Mrs Liz Laker, GRE Asset Management Limited, Bishopsgate Exchange, 155 Bishopsgate, London EC2M 3UU.



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£35,000
+ Benefits

You will be a fast track university graduate with either an MBA or pertinent marketing qualification. In addition, you will ideally have experience of marketing complex financial concepts, preferably including derivatives, and of handling relationships with agencies. A second language would be an advantage. You will have trained with a recognised company and will have a record of success in the formulation and execution of strategies to identify markets and increase sales. You will be accustomed to being judged on your results.

Interested candidates should write in confidence to Matthew Hill enclosing a CV at: Nicholson International (Search and Selection Consultants), Africa House, 64-78 Kingsway, London WC2B 6AH, quoting reference number 9628, or fax details on 071 404 8128 or call directly on 071 404 5501 for an initial discussion.

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QUALIFICATIONS

- Aged between 30 and 35, a graduate, preferably with legal or accountancy training gained in South Africa. German and Afrikaans fluency helpful.
- South African background ideal, with at least five years' Corporate Finance or M&A experience gained in a prime US or UK merchant/investment banking environment outside South Africa.
- First class interpersonal and communication skills, commercialism and entrepreneurial flair are essential.

Please write, enclosing full cv, Ref L4585
54 Jermyn Street, London SW1Y 6LX

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Lindsey Claydon, Assistant Manager Personnel,
Internationale Nederlanden Bank N.V.,
2 Copthall Avenue, London EC2R 7BD.

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LONDON

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We are one of the foremost international Executive Search consultancies, operating exclusively in the financial services sector.

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The Position requires an individual of high intellectual calibre with considerable energy and a capacity for hard, focused, analytical work. The positions will be located in London initially. Applicants should send their C.V. to:

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Well established privately owned investment management company seeks numerate graduate to join their research team. The successful candidate will be responsible for designing and implementing a wide variety of quantitative financial analysis and market trading software.

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THE QUALIFICATIONS

- High calibre graduate with an engineering background or an MBA. Minimum of five years in a project finance advisory or leading role. Second European language useful.
- Proven transaction history with essential experience of advising on financial and contractual aspects of major projects. Exposure to water, waste and power projects preferable.
- Strong marketing bias combined with technical expertise. Stature and credibility to win mandates.

Please reply, enclosing full details, to:
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Please contact Jonathan Hawes on 071-623 1266.

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Grace is the world's largest specialty chemicals company with a leadership position in health care. With leading edge technologies, our success derives from a commitment to customer satisfaction through the quality of our products and services and, above all, from our worldwide team of people.

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This position requires independence and involves a full range of legal services, focusing primarily on a wide variety of commercial agreements to support the expansion of our technology and product base. Your role in Grace goes beyond drafting and legal work; you are expected to contribute to the success of the projects in which you participate as a team member. The position requires some travel within Europe.

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You have had at least five years' post-qualifying experience, either in a leading law firm or as in-house counsel, preferably in a multinational company. You are not only an excellent lawyer, but you also like to be a team player. You have good communication and coordination abilities. You have an international outlook and sound business judgment.

You are well-organised and able to manage a large number of projects simultaneously. Articulate written and spoken English are essential, and a sound knowledge of EEC competition law and a European legal background would be assets.

YOUR FUTURE

Grace rewards energy and initiative. The position offers the scope to the right person to assume broader international responsibilities within our company.

If this position is of interest to you, please send (in confidence) your curriculum vitae, details of your current remuneration and a letter explaining your interest in the position to:
Grace Industrial Chemicals Inc.
Véronique Klein, Personnel Manager
Avenue Montchoisi 26, CP 780
CH-1001 Lausanne, Switzerland

INTERNATIONAL INVESTMENT HOUSE HEAD OF COMPLIANCE

London

Excellent Package

Our Client, a major player in the international securities arena, highly prominent in financial markets worldwide, seeks an experienced compliance officer to manage its Compliance Department.

The work of the Department involves providing advice and support on all aspects of regulation to all the Company's business areas - fixed income, equity and derivative sales and trading, investment banking, syndication and research. The successful candidate will have a thorough grounding in the regulations relating to financial services, including those concerning the SFA, IMRO, LIFFE and the London Stock Exchange; such experience is likely to have been gained in another quality finance house. Well developed managerial and organisational skills are essential qualities for success in this role and knowledge and experience of US securities regulations would be a significant advantage.

This is an exceptional opportunity and the successful candidate will be offered a salary and benefits package which reflects the importance of the role.

For further information in complete confidence, please contact Stephen Rodney or Deborah Delbridge on 071-405 6062 (071-354 3079 evenings/weekends) or write to them at Quarry Dougal Commerce and Industry Recruitment, 9 Brownlow Street, London WC1V 6JD. Confidential fax: 071-831 6394. Initial discussions can be held on a no fee basis.

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With an excellent academic record (MBA, first/upper second degree) applicants, aged 28-38 years, should clearly demonstrate proven and innovative analytical skills combined with business development experience. Technical ability and a sound knowledge of investment banking products will have been gained within a banking or financial consultancy environment where complex negotiations require an understanding of corporate taxation and legal issues. Previous European involvement together with an additional language would prove of particular interest.

*Please contact Jill Backhouse or Marcella Tuson
All applications will be treated in strict confidence.*

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JONATHAN WREN INSURANCE

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Founded 1876

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- London Based -

The continued development within Manex of services designed specifically for our corporate clients has created the opportunity for an experienced Credit Analyst - Risk Manager.

In addition to conventional financial analysis and assessing corporate finance risk, the position demands the ability to liaise and negotiate at senior level with both bankers and corporate clients, and to develop the bank's consultancy funding and debt management business.

Ideally the candidates will be aged between 28 and 35 and have broad exposure to the UK corporate and financial sectors.

A competitive benefits package is offered. Please write with full career details to the Company Secretary at:

Manchester Exchange and Investment Bank Ltd.
International House
1 St. Katharine's Way
London E1 9UN

A Member of the SFA

Compliance Officer

Investment Management

This is an opportunity to take responsibility for the compliance function in an international investment management company with an outstanding record of growth and fund performance. Whilst the initial emphasis of the job will be on the maintenance and further development of regulatory compliance procedures for the company's UK operations, the company views compliance as an important function and expects the compliance officer to adopt a broad, proactive approach to the role.

Reporting directly to the Financial Director, this London-based position is likely to appeal to candidates who are either currently working in a compliance or audit capacity within a financial services environment or who have gained experience with a regulatory body. Applicants should be of graduate calibre, possibly with an accountancy qualification. A constructive approach and well developed communication skills are essential requirements.

If you would like to be considered for this opportunity please write in confidence to:

IMR Recruitment Consultants,
1 Northumberland Avenue,
Trafalgar Square, London
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INVESTMENT MANAGEMENT RESOURCES

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Salary and benefits commensurate with experience.

Please contact Jerry O'Keeffe on 071 256 9292 or write to: InterCapital Brokers Ltd, Park House, 16 Finsbury Circus, London EC2M 7DJ enclosing a c.v.

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A major Italian Bank seeks to increase its Dealing Room team. The successful candidate should be aged between 25-40 and have a good background in dealing Spot currencies.

Salary upon application. For further details please write to Box A1987, Financial Times, One Southwark Bridge, London SE1 9HL.

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Major US equity house seeks Assistant/Trainee Stockbroker. Ideal candidate must be of graduate level, have an interest in markets and preferably with foreign languages.

Please send CV's to Box A1984, The Financial Times, One Southwark Bridge, London SE1 9HL.

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C-ATS Software

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Outstanding opportunities exist for ambitious individuals (aged 25-35) with proven European deal experience and an unparalleled academic record.

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Please contact Richard Pooley or Pascale Butcher on (071) 583 0073 (day) or (081) 740 5934 (evenings and weekends) or send your C.V. in complete confidence to: 16 - 18 New Bridge Street, London EC4V 6AU. Fax (071) 353 3908.

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Riyad Bank, one of the largest and most prominent banks in the Middle East with a network of over 160 branches in Saudi Arabia, is offering excellent opportunities in various areas of the Bank, based at its Head Office in Riyadh. Extensive changes are underway in the Bank's technology

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DOMESTIC BANKING SENIOR PRODUCT MANAGER

Job requirements:

- A University or College Degree or equivalent
- 5 years retail banking experience
- 3 years retail banking systems experience
- 3 years project management experience
- Good communication skills
- Strong analytical, planning and organisational skills
- Fluency in English, knowledge of Arabic would be useful

Key responsibilities include:

- Product Planning
- Project Sponsoring and Prioritization
- Functional Requirements
- Project Acceptance
- User Documentation

TECHNICAL CONSULTANT SWIFT/ST400

Job requirements:

- A University or College Degree or equivalent
- At least 5 years experience with DEC/VAX VMS, including installation, implementation and operations expertise
- Implementation and operations experience with SWIFT II. Should have installed ST400 and SWIFT II in at least three other banks
- Experience networking multiple local and remote terminals from the ST400
- Ability to train technical personnel in the operations and maintenance of ST400/VMS environment
- Ability to identify and communicate procedural requirements for ST400/VMS/SWIFT II environment (for purpose of documenting the required procedures)

Major responsibilities:

- Installing ST400 hardware (DEC)
- Install, operate VMS operating system
- Install SWIFT Software (SWIFT II)
- Train Bank's personnel in operations of ST400/SWIFT II environment
- Six months contract, with an option for a further six months.

RISK ASSESSMENT OFFICER

Job requirements:

- A University or College Degree or equivalent
- Fully conversant with credit and risk control parameters and use of interest rate and FX management tools in an automated environment
- Good communication skills
- Line management experience in the banking industry
- Fluency in English, knowledge of Arabic would be useful

Key responsibilities include:

- Preparation and establishment of credit lines and country limit structures
- Setting up and monitoring credit risk controls associated with Treasury Products and all categories of interbank products and markets
- Identifying user needs and control structures and applying these requirements to upgrade automotive capabilities within a range of Treasury operations
- System management reporting of exposure covering group, country, region and product (Money Market FX/Derivatives)

Fully competitive compensation packages will be offered to the successful candidates.

Applications should include current salary and benefits and should be directed either in writing or by fax to:

RECRUITMENT DEPARTMENT, RIYAD BANK, P.O. BOX 22613, RIYADH 11416, SAUDI ARABIA, FAX NOS: 01 405 7353, 01 404 0689

EQUITY INVESTMENT SYSTEMS PRODUCT MANAGER

Job requirements:

- A University or College Degree or equivalent
- Fully conversant with local and foreign investment i.e. mutual funds, share trading in an automated systems environment
- Fully acquainted with accounting, book-keeping, reporting and compliance issues relating to the investment products
- Good communication skills and ability to transfer business needs into systems requirements
- Fluency in English, knowledge of Arabic would be useful

Key responsibilities include:

- Product Planning
- Project Sponsoring and Prioritization
- Functional Requirements
- Project Acceptance
- User Documentation
- Maintaining thorough knowledge of the Division's products and currency with the systems application of these products throughout the automation process

PRODUCT MANAGER ACCOUNTS DIVISION

Job requirements:

- A University or College Degree or equivalent
- At least 5 years experience at Managerial level
- Experience of Accounting Policies, Procedures, Strategic Planning and Information Technologies
- Experience in Financial Control, Regulatory and Management Reporting
- Technical background in G/L system implementation and interfaces with other banking applications, preferably Dun & Bradstreet

Major responsibilities:

- Systems implementation for the General Ledger and building interfaces with other applications
- Corporate-wide responsibility for the G/L

MANAGER-METHODS & PROCEDURES DEPARTMENT

Job requirements:

- A University or College Degree or equivalent
- 5-10 years of directly related experience in an international banking environment
- Solid background in retail branch banking operations including a thorough knowledge of the workflows for offering new products, servicing existing products, teller and vault operations, and accounting in a branch banking environment. Knowledge of international banking products would also be beneficial
- Good inter-personal skills and strong analytical, planning/organisational, communication and time-management qualities

Key responsibilities include:

- Managing a department which analyzes workflows of a branch banking environment and develops and distributes written operational procedures including policies, flowcharts and forms
- Coordinating the development of action plans, establishing goals and objectives in conjunction with enhanced procedures and form development, along with the framework of the Bank's overall objectives

DEPUTY CHIEF CREDIT OFFICER

A well established U.K. merchant bank requires a Deputy Chief Credit Officer.

Operating at a senior level, the successful applicant will assist in the control and monitoring of the Bank's credit policies; vet new credit requests; review all existing loans and monitor credit procedures.

Candidates under the age of 35 are unlikely to have the necessary experience. Excellent credit and PC skills are essential, and experience of both U.K. and U.S.A. banking systems and regulation would be a distinct advantage.

We offer a competitive remuneration package.

Interested candidates should send a detailed C.V. including salary details to Box A1983, Financial Times, One Southwark Bridge, London SE1 9HL.

AUSTRIAN EQUITY ANALYST

We wish to recruit a senior Austrian Equity Analyst. The ideal candidate should have the following qualifications.

- At least two years' experience covering the Austrian equity market for a London-based house.
- An MBA.
- Bilingual English-German. Fluency in another European language would be helpful.
- Registered with the SFA.

Applications should be posted, in confidence, to

The Financial Times
Box A1981
One Southwark Bridge
London SE1 9HL

**RESEARCH AND
STATISTICAL ANALYST**
Would suit recent graduate in either Mathematics, Statistics, Economics, Business or Finance, interested in pursuing a career in the financial world. Terms negotiable. Write with CV to AMAS UK Ltd (member of Inro) FAO: Mr Stuart Wilkinson, 16 Charles II Street, London SW1Y 4QU

The Nippon Credit Bank, Ltd.

The Nippon Credit Bank is a Global Financial Engineer well known for sophisticated business development. We are seeking to recruit the following staff:

Head of Loans Administration

We invite applications from Loan Administration Officers with a sound knowledge of loan documentation and a minimum of 3 years' practical experience including cross border transactions and work outs. Good communication and leadership skills are essential.

Credit Analyst

We are seeking a graduate with at least 2 years' sound experience of corporate credit analysis. Excellent negotiation skills and experience of work outs are desirable.

In return we offer an attractive salary and excellent banking benefits.

Replies will be treated in the strictest confidence. Please send your CV to: Anne Williams, Personnel Officer, The Nippon Credit Bank Ltd., City Tower, 40 Basinghall Street, London, EC2V 5DE.

BANKING OPPORTUNITIES MIDDLE EAST LOCATION

Treasury Manager - Major retail-based commercial bank, highly liquid, requires first-class treasurer to manage A&L and to supervise active dealing room. Must have full knowledge of corporate products.

Head of Product Development - Responsible for developing and implementing new products through a multi-branch commercial bank. Must be 'hands-on' management.

Head of Marketing & Planning - Develop a comprehensive marketing plan for a major branch-based commercial bank encompassing product development, promotion, pricing, distribution, training etc. Previous experience marketing fmvc considered an advantage.

Interested candidates should apply in writing to:
Brian Jarvis - General Manager

Jonathan Wren International
PO Box 11947, Diplomatic Area, Manama, Bahrain
Telephone: 010 973 532582 Fax 010 973 532604

JONATHAN WREN INTERNATIONAL

COMMODITIES AND AGRICULTURE

Coffee surges to fresh 9-month high

By David Blackwell

LONDON'S ROBUSTA coffee market continued to rally strongly yesterday, with the January contract breaching resistance at \$950 a tonne to hit a nine-month high of \$955.

In New York the December arabica contract was up more than 2 cents at 67.45 cents a lb in late trading.

Last week the London market briefly touched \$950 a tonne, partly on reports of a smaller Brazilian crop. But the inevitable technical correction

set in, and dealers, pointing out that the market had risen \$200 in just two months, were hoping towards the end of the week that the January price would hold above \$900 a tonne.

The recent recovery also appears to be technical. "This is a beautifully trending market," said Ms Judith Ganes, analyst with Merrill Lynch in New York. However, she noted that prices, while well above the summer's 20-year lows, remained relatively depressed. "We are only just beginning to dig out of the hole."

E.D. & F. Man, the London trade house, suggested in its latest coffee report that, with producers delaying sales in expectation of even higher prices there appeared to be plenty of scope for further gains.

Man now estimates the 1992-93 Brazilian crop at 19.15m bags (90 kg each) - at the low end of expectations but above the Brazilians' own estimate of 18.9m bags. This is thought by most analysts to be the biggest single fundamental factor in coffee's recent rise.

F.O. Licht, the German statistician, on Monday estimated Brazilian production at 20m bags, down from 27.5m bags in 1991-92. Total world output was put at 33.5m bags, down from 32.5m last year.

However, stocks are high. On Tuesday US certified stocks for delivery against New York hit a record 5.33m bags. As Licht put it: "Even though coffee production is forecast to decline this season, the road to recovery will be painful and slow as there is still too much coffee around."

Cocoa pact settlement remains out of reach

By Frances Williams in Geneva

TWO WEEKS of talks between cocoa producing and consuming countries on a new price-stabilising international agreement are set to end inconclusively today. The 45 countries taking part in the United Nations-sponsored talks will return to Geneva in February for a fourth and final attempt to conclude an accord to replace the 1986 pact, which expires in September 1993.

The past fortnight has seen a significant narrowing of the gap between producers and consumers on the maximum amount of cocoa that could be withdrawn from the market to help defend whatever price range is set by the agreement. Consumers have now proposed 330,000 tonnes, up from 300,000 tonnes when the meeting began. Producers have asked for 380,000 tonnes, down from 600,000.

But, despite some movement on both sides, the gulf between producer and consumer price proposals remains dauntingly wide. And there has been virtually no progress on the thorny issue of financing the new accord.

On Monday, producers proposed a price band of SDR1,190-1,770 a tonne with a median price of SDR1,475, down from a median price of SDR1,820 at the start of the meeting. Consumers raised their price offer by just SDR50 last week to a median price of SDR1,650 in a price band of SDR1,450-1,950 a tonne.

Conference delegates said yesterday that consumers had some modest flexibility to raise their price offer but this went nowhere near to satisfying producer demands. The offer already surpasses the current market price for cocoa, equivalent to about SDR515 a tonne.

On financing, producers want equal contributions from the two sides via a levy system. However, the European Community, at the insistence of Britain, the Netherlands and Germany, continues to press for funds to come from existing assets in the first instance. These assets comprise mainly arrears of contributions to the present agreement by producers, notably the two biggest, Ivory Coast and Brazil, and the 240,000 tonnes of cocoa held in the buffer stock.

The EC, which accounts for 40 per cent of world consumption, is the most important consumer at the Geneva talks, in the absence of the US.

'Russia holds key to nickel market balance' - Inco

By Bernard Simon in Toronto

FALLING NICKEL production and record stainless steel output could contribute to an improved balance between world nickel supply and demand next year, according to Inco of Canada, the biggest producer of the metal.

Inco, acknowledges however, that its forecasts depend heavily on a reduction in "back door" exports from Russia and other parts of eastern Europe, which have severely disrupted the market this year. This material, often smuggled or disguised as scrap, has fuelled a slump in nickel prices on the LME by nearly \$3,000 from the \$8,500 a tonne ruling two years ago.

As the London Metal Exchange yesterday the nickel price for delivery in three months fell by \$32.50 to \$5,590 a tonne, \$50 above the 4½-year low reached earlier in the week.

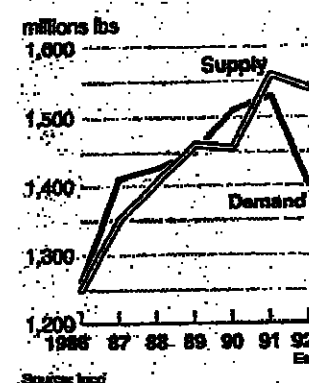
Mr Ivor Kirman, marketing director of Inco Europe, told an investors meeting in Toronto that the tone of the nickel market would be improved if a higher proportion of Russian exports were shipped through traditional channels, rather than the growing "grey" market.

Responding to an analyst's warning that "if you block one hole, it will come out another hole," Mr Kirman said that greater use of official channels by eastern European exporters "would at least avoid confusion, corruption and demoralisation" in the market.

He estimated that some European consumers now depended on supplies from the east for up to 50 per cent of their nickel needs.

Inco is confident that,

Nickel



depending on the level of Russian exports, demand for primary nickel from western producers will be higher next year than the 1.4m lbs estimated for 1992. Cutbacks by suppliers in response to lower prices means that nickel supplies "are unlikely to be greater than 1992, and could be significantly lower," Mr Kirman said. Inco estimates total supplies this year at 1.54m lbs, down from 1.56m lbs in 1991.

Inco has responded to the present glut by cutting planned 1993 production to 380m lbs of finished nickel, from an estimated 465m lbs this year. Mr Michael Sopko, chief executive, said that "if over-supply continues to grow, we will take further action". But the company also emphasised its ability to step up long-term production when the market recovered.

The sites of future expansion would include PT Inco in Indonesia, the moth-balled Eximbank mine in Guatemala, two properties in Brazil, and vast reserves in New Caledonia. Inco reiterated its determination to maintain a share of about 25 per cent of the world nickel market.

Alusaf swims against the tide

Philip Gawith on South Africa's record-breaking aluminium project

A FAVOURABLE power contract, shareholder support and scale benefits lie behind the announcement yesterday by Alusaf, the aluminium producer in the South African Gencor group, that it is to proceed with the R7.2bn (£1.6bn) construction of a 465,000 tonnes a year aluminium smelter, the largest ever built in the western world.

The announcement comes against the background of a deep recession in the world aluminium industry, with about 65 per cent of world smelting capacity uneconomical at current prices of less than \$1,200 a tonne. However, it also follows on the heels of a number of predictions that there will be a shortage of metal by the middle of the decade, when the Alusaf expansion comes on stream.

Mr Harry Helton, executive vice president, minerals and metals, at Reynolds Metals, the second largest of the US aluminium groups, recently predicted that the western world's aluminium industry needed to build 13 new smelters of about \$1bn each by the year 2003 if it was to keep pace with demand. There are, however, no other significant expansions of capacity planned at the moment because the depressed state of the industry makes it difficult to approach shareholders for money. Mr Helton said the industry needed a sustained price of about \$1,800 a tonne before it could reasonably start investing again.

Alusaf was not immune to this problem. The original plan was to raise about R3bn of equity finance for the project, of which R1bn was to come from Gencor and R2,000,000 from the Industrial Development Corporation. The remaining R1.2bn was to come from local institutions. In fact, eight local institutions were in the end only prepared to put up R500,000 towards the project, with about 80 per cent of this coming from Old Mutual and



Brian Gilbertson: Alusaf envisages both upstream and downstream expansion

Roux, the chairman, Alusaf would, taking an average aluminium price last year of about \$1,300 a tonne, have spent \$202 a tonne on its power compared with a world average power cost of \$320 a tonne for aluminium producers.

Alusaf has also negotiated competitive alumina (aluminium oxide) supply contracts with Alcoa, the world's lowest-cost alumina producer, and Biliton, a subsidiary of the Royal Dutch/Shell group, for the 900,000 tonnes a year of alumina required. Taken together, these two costs - power and alumina - will always absorb about 41 per cent of the aluminium selling price, leaving a fixed gross margin for other costs and profits. The effect of these contracts is to lower the risk profile of the project, smoothing out variations in earnings from aluminium sales. On a long case alumina price of \$1,850 per tonne, the project will offer a real rate of return of about 8 per cent.

Apart from the low input costs, the size of the project is also crucial. The optimum smelter size in the world today is 233,000 tonnes a year. Alusaf will be the first producer to build a double configuration simultaneously, and this will provide significant cost advantages. Taken together with the old smelter, which will be upgraded, Alusaf will at full production produce 680,000 tonnes a year.

From the point of view of Gencor, the project is a crucial step into the mineral beneficiation arena where, it is widely held, the future of South Africa's mining and metals industry is to be found. It also offers an important platform for the internationalisation of the group's activities, an oft-stated ambition. Mr Brian Gilbertson, Gencor's chairman, made clear yesterday that the company envisages Alusaf expanding upstream into alumina and bauxite and downstream into rolled, extruded

and fabricated products. This will necessarily require offshore investments because there are no bauxite deposits of note in South Africa and downstream activity tends to be situated close to the markets.

Mr Gilbertson said yesterday that Gencor was comfortable with its R1.25bn exposure in the project, which represents less than half of its current cash and readily available liquid resources.

A novel feature of the project is the attempt to involve financial institutions at the start, partaking in the risk and forfeiting the prospect of any returns for about four years. Traditionally mining houses have developed projects and then sold them on for a profit. This project, however, was too large for Gencor to finance alone, hence the involvement of the institutions. Their lukewarm response indicates the difficulty many of them found in reconciling involvement in Alusaf with their traditional commitment to obtain the best available returns for policy holders in the short-term.

To overcome this funding gap in future, it is quite conceivable that the government will enact legislation requiring that a portion of institutional cash-flows be dedicated to such projects. These have already been noted from government to this effect.

The project has been given go-ahead after accepting the recommendation of an independent environmental assessment that the new smelter be moved from a preferred site to an alternative location in Richards Bay, the East coast port where Alusaf is situated. Mr Roux said this had cost "many tens of million rand".

The project will not, as originally planned, be listed on the stock market yet, so as to avoid the possibility - probability in current circumstances - of it trading at a discount following listing. A later listing will be pursued.

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Platinum price forecasts cut

By Kenneth Gooding, Mining Correspondent

JOHNSON MATTHEY, the world's biggest platinum marketing group, has scaled down its short-term forecasts for the metal's price because of the effects of recession on the Japanese, the biggest platinum buyers.

Earlier this year the company forecast that the price would be rising towards \$400 a troy ounce by the end of 1992, but this underestimated the impact of collapsing property and equity prices on rich Japanese. It now expects the average for the fourth quarter of this year to be about \$370 an ounce, rising to \$385 in the first quarter of 1993.

Sales of large investment platinum bars in Japan were badly affected by the uncertainty created by the market collapse and JM expects demand for these bars to drop to 90,000 ounces this year from 240,000 ounces in 1991.

Also, a sharp fall in sales of high-quality and expensive platinum jewellery in Japan is forcing retailers to adjust stock levels. Sales of simple, cheaper platinum jewellery in Japan continue to be buoyant, however, and JM predicts that overall demand from jewellers will drop this year by only

10,000 ounces to 1.66m ounces.

According to Mr Jeremy Coombes, author of JM's interim market review, published yesterday, platinum supply and demand are closely balanced. He forecasts a supply surplus of about 30,000 ounces compared with one of 135,000 ounces in 1991.

The total platinum market will be smaller this year, says Mr Coombes, with both supply and demand contracting. Demand is forecast to be 3.88m ounces, down from 4.025m ounces last year, and supply 3.89m ounces, down from 4.16m.

Recession in many industrialised countries will cause a 5 per cent fall in industrial demand for platinum, to 760,000 ounces. But, despite recession, tightening anti-pollution legislation affecting cars in Europe and North America will see demand for platinum in automotive exhaust catalysts rising by 6.1 per cent this year to a record 1.665m ounces.

This means non-investment demand for the metal is healthy for the ninth successive year of growth, says JM.

On the supply side, Mr Coombes suggests that Russian platinum exports, which spiralled out of control in 1991, are now strongly constrained by the authorities and JM there-

fore expects these exports to fall by nearly one third this year - to about 750,000 ounces compared with 1.1m ounces in 1991. In 1990 Russia exported about 720,000 ounces.

South African producers to supply more than 30m ounces to the market in 1992. This estimate is trimmed in the review to 2.82m ounces, a rise of only 1.8 per cent on the 1991 level. A combination of industrial and political action, technical problems, mining inefficiencies and difficult ground has disrupted production and expansion programmes and developments have been delayed.

Mr Coombes says: "Returns are now inadequate to provide funds for future investment and, without a recovery in prices, there could be more delays in expansions or even cuts in production at high-cost areas."

The review suggests the platinum market will see a supply deficit of 110,000 ounces and the metal's price should therefore remain firm. Rhodium will be in surplus by 13,000 ounces, partly because of de-stocking by Japanese car makers.

Platinum 1992 Interim Review, free from Johnson Matthey, 78 Hatton Garden, London EC1N 8JP, UK.

WORLD COMMODITIES PRICES

MARKET REPORT

THE PLATINUM price staged a modest rally yesterday, underpinned by a mildly bullish interim market review from Johnson Matthey, the biggest marketer of the metal (see story above). The price was fixed in the afternoon at \$351 a troy ounce, up \$3.75 from Wednesday, but this was still \$15.50 down on the week so far. Dealers said, however, that platinum would have difficulty making headway while gold and silver prices remained depressed. The GOLD price edged another 90 cents higher on short-covering to reach

\$333.05 an ounce, still 95 cents down on the week. SILVER closed at 388.5 cents an ounce, unchanged on the day but 24 cents lower on the week. Base metals were mixed at the London Metal Exchange, with LEAD, NICKEL and ALUMINIUM prices lower, but ZINC, COPPER and TIN registering modest gains. The zinc market reversed a sharpish early fall, which ran into date buying, to close \$8 up at \$1,062.50 a tonne for three months delivery.

Compiled from Reuters

London Markets

SPOT MARKETS
Crude oil (per barrel FOB Dec) +0.01
Dubai \$17.80-7.80-178
Brent Blend (dec) \$16.15-4.50-225
Brent Blend (Jan) \$16.15-4.50-225
WTI (1 pm est) \$20.25-4.50-275

Oil products
(NWE prompt delivery per tonne CIF)
Premium Gasoline \$187-889
Gas Oil \$187-889
Heavy Fuel Oil \$85-85
Naphtha \$191-192
Petroleum Argon Estimates

Other +0.01
Gold (per troy oz) \$333.05 +0.90
Silver (per troy oz) 388.50
Platinum (per troy oz) 351.00 +3.75
Palladium (per troy oz) 894.00 +1.5

Copper (US Producer) 100.5
Lead (US Producer) 65.50
Tin (Kuala Lumpur market) 142.1
Tin (New York) 255.50
Cadmium (US Prime Western) 62.00

Zinc (live weight) 112.13p
Sheep (live weight) 73.89p +0.24
Pigs (live weight) 69.49p -0.07

London daily export \$221.50
Tate and Lyle export price \$228.00 +0.5

Barley (English low) £127.20
Maize (US No. 3 yellow) \$146.00
Wheat (US Dec Northern) Unq

Rubber (Dunlop) 83.50p
Rubber (JSR) 83.50p
Rubber (JSR No 1 Dunlop) 223.50m

Coconut oil (Philippines) \$512.50
Palm Oil (Malaysia) \$417.50 +2.5
Cocoa (Philippines) \$232.50
Soyabean (US) \$188.00 +2
Cotton "A" Index 52.10p -0.25
Wooltops (64s Super) 415p +2

£ a tonne unless otherwise stated. p=per cent, c=cent, lb=lb, t=t, m=metric ton, US=US, UK=UK, NWE=North West Europe, NWE=North West Europe, NWE=North West Europe.

Commodity prices are now live weight prices.

SUGAR - London POX (\$ per tonne)

Dec 197.00 196.00 195.00
Jan 196.00 195.00 194.00
Mar 195.00 194.00 193.00
Apr 194.00 193.00 192.00

White Close Previous High/Low
Dec 200.00 201.00 201.00 200.00
Jan 201.00 202.00 202.00 201.00
Mar 202.00 203.00 203.00 202.00
Apr 203.00 204.00 204.00 203.00

Black Close Previous High/Low
Dec 195.00 196.00 196.00 195.00
Jan 196.00 197.00 197.00 196.00
Mar 197.00 198.00 198.00 197.00
Apr 198.00 199.00 199.00 198.00

Turnover: Raw 200(1) lots of 50 tonnes.
White 1546 (1408) Parle. White (FFV per tonne):
Dec 1407.87 Mar 1405.72

CRUDE OIL - IPE (\$/barrel)

Dec 19.24 19.26 19.24 19.18
Jan 19.26 19.28 19.26 19.20
Feb 19.28 19.30 19.28 19.22
Mar 19.30 19.32 19.30 19.24
Apr 19.32 19.34 19.32 19.26
May 19.34 19.36 19.34 19.28
Jun 19.36 19.38 19.36 19.30
Jul 19.38 19.40 19.38 19.32
Aug 19.40 19.42 19.40 19.34
Sep 19.42 19.44 19.42 19.36
Oct 19.44 19.46 19.44 19.38
Nov 19.46 19.48 19.46 19.40
Dec 19.48 19.50 19.48 19.42

Turnover: 200(1) lots of 50 tonnes.
White 1546 (1408) Parle. White (FFV per tonne):
Dec 1407.87 Mar 1405.72

GAS OIL - IPE (\$/tonne)

Dec 19.24 19.26 19.24 19.18
Jan 19.26 19.28 19.26 19.20
Feb 19.28 19.30 19.28 19.22
Mar 19.30 19.32 19.30 19.24
Apr 19.32 19.34 19.32 19.26
May 19.34 19.36 19.34 19.28
Jun 19.36 19.38 19.36 19.30
Jul 19.38 19.40 19.38 19.32
Aug 19.40 19.42 19.40 19.34
Sep 19.42 19.44 19.42 19.36
Oct 19.44 19.46 19.44 19.38
Nov 19.46 19.48 19.46 19.40
Dec 19.48 19.50 19.48 19.42

Turnover: 200(1) lots of 50 tonnes.
White 1546 (1408) Parle. White (FFV per tonne):
Dec 1407.87 Mar 1405.72

WHEAT - London POX (\$/tonne)

Dec 197.00 196.00 195.00
Jan 196.00 195.00 194.00
Mar 195.00 194.00 193.00
Apr 194.00 193.00 192.00

White Close Previous High/Low
Dec 200.00 201.00 201.00 200.00
Jan 201.00 202.00 202.00 201.00
Mar 202.00 203.00 203.00 202.00
Apr 203.00 204.00 204.00 203.00

Black Close Previous High/Low
Dec 195.00 196.00 196.00 195.00
Jan 196.00 197.00 197.00 196.00
Mar 197.00 198.00 198.00 197.00
Apr 198.00 199.00 199.00 198.00

Turnover: 200(1) lots of 50 tonnes.
White 1546 (1408) Parle. White (FFV per tonne):
Dec 1407.87 Mar 1405.72

BARLEY - London POX (\$/tonne)

Dec 197.00 196.00 195.00
Jan 196.00 195.00 194.00
Mar 195.00 194.00 193.00
Apr 194.00 193.00 192.00

White Close Previous High/Low
Dec 200.00 201.00 201.00 200.00
Jan 201.00 202.00 202.00 201.00
Mar 202.00 203.00 203.00 202.00
Apr 203.00 204.00 204.00 203.00

Black Close Previous High/Low
Dec 195.00 196.00 196.00 195.00
Jan 196.00 197.00 197.00 196.00
Mar 197.00 198.00 198.00 197.00
Apr 198.00 199.00 199.00 198.00

Turnover: 200(1) lots of 50 tonnes.
White 1546 (1408) Parle. White (FFV per tonne):
Dec 1407.87 Mar 1405.72

MAIZE - London POX (\$/tonne)

Dec 197.00 196.00 195.00
Jan 196.00 195.00 194.00
Mar 195.00 194.00 193.00
Apr 194.00 193.00 192.00

White Close Previous High/Low
Dec 200.00 201.00 201.00 200.00
Jan 201.00 202.00 202.00 201.00
Mar 202.00 203.00 203.00 202.00
Apr 203.00 204.00 204.00 203.00

Black Close Previous High/Low
Dec 195.00 196.00 196.00 195.00
Jan 196.00 197.00 197.00 196.00
Mar 197.00 198.00 198.00 197.00
Apr 198.00 199.00 199.00 198.00

Turnover: 200(1) lots of 50 tonnes.
White 1546 (1408) Parle. White (FFV per tonne):
Dec 1407.87 Mar 1405.72

WHEAT - London POX (\$/tonne)

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Apr 203.00 204.00 204.00 203.00

Black Close Previous High/Low
Dec 195.00 196.00 196.00 195.00
Jan 196.00 197.00 197.00 196.00

LONDON SHARE SERVICE

AMERICANS

Company	Price	Change	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	
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INVESTMENT TRUSTS - Cont.

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2125

Lot Charge	Cash Price	Old Price	Offer + or - Price	Yield %
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Special Opportunity Inc.	14 40 22	40 82	43 421	11 71
Browns Dolphin Unit Tot Mrgs Ltd (090537)				
5 Giftware Co, Lowestoft EC14 9QE			071-236 6461	
Isabelle Secretion Sols	36 117 R	117 R	125 R	1+4 9 98
Technique Development	59 64 15	65 08	89 51	0 40 5 72
Technique Ltd 100 10, Inc	17 183 L	183 L	199 R	0 67 5 29
Technique Ltd 100 10, Inc	51 37 16	16 18	30 74	4+11 0 52
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a short period of time may elapse before
become available.

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6 259.9	344.9	299.7	+0.16 1.7	Global Inc.
6 146.1	146.1	150.1	+0.21 2.5	UN Sec Int'l
6 222.0	222.0	282.14	+0.30 2.9	UN Sec Int'l
				South East Asia
Magnet (Unit Trust) Ltd (0985)F				
1, Pearl Street, Canton				
Type HK7 712				
(0911)219.0077				
3469.74 70.63 74.931 - 0.09				
Seng Guan				
Admin: 5 Rm				
Samples: 027				
Siccar Receiver				

7	154.2	156.2	144.4	014.08
8	160.85	158.25	98.25	014.33
9	162.5	162.25	87.40	014.33
10	162.7	160.8	135.2	014.29

70 Fund Mgmt Ltd (2200HF
 40 Rd, Hutton, Southampton, Dorset
 227200 Buxton 0277 261010
 5 5405 30 109.10mLLA 5014 6025 87



COMPILED FROM THE ANNALS OF LABOR

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most sell-out transactions quote a much narrower spread. As an example, the bid price is often set above 90

TIME: The firm shows adequate financial management, as the firm of the call center's website solid system, number, time is indicated by

by the spiritual alignment of the individual with the true essence. The schedule is as follows: (W) - 0001 01100 hours; (F) - 1101 in 1400 hours; (S) - 1401 in 1700 hours; (S) - 1701 in midnight. Daily clearing sessions are set on the basis of the vibration point; a short period of time may elapse before prices become available.

1. *Chlorophyll a* (Chl *a*)

PM European Gdb	3	68.57	68.57	70.19	-0.11	2.37	Japanese Inc	54	43.85	44.46	47.30	+0.02
PM Japan Gdb	3	71.12	71.41	75.90	-0.16		Do Account	24	45.54	46.17	49.12	+0.02

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Park View House, Front Street, Boston
 Telephone upon Type 0627 772
 Message: 5/69.74 70.63 74.931 - 0.09

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JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
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JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
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JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
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JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEMBOURG (REGULATED)										SWITZERLAND (GIB REGULATED)										OTHER OFFSHORE FUNDS									
JERSEY (GIB REGULATED)										JERSEY (REGULATED)										LUXEMBOURG (GIB REGULATED)										LUXEM																													

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling unmoved by rate cut

STERLING was virtually unmoved against both the D-Mark and the US dollar yesterday, after Britain's chancellor announced that UK base rates would be cut by 1 percentage point from today, writes James Bitts.

However, the French franc derived considerable support from the Bank of France's decision to cut its two main lending rates for the second time in ten days. According to one analyst, yesterday's moves may have set the scene for the franc to appreciate against the D-Mark well into next year.

The 100 basis point cut in UK base rates had been generally priced into sterling's exchange rates before the statement. The pound was at DM2.4105 at the start of Mr Lamont's speech, rose to DM2.4150 by the end, and later closed at DM2.4200, more than 1/4 a penny up on the day.

Against the dollar, the pound closed slightly weaker at \$1.5340. But this was more the product of dollar strength than an instantly negative response to the chancellor's statement.

Mr John Hall, an international economist at Swiss Banking Corporation in London, said that the government had given so many steers on

the content of the speech that there was little for the market to react to. "The amount of fiscal stimulus was exactly what was anticipated, and the pound could even show a little upturn following these moves," he said.

However, Mr David Cocker, chief economist at Chemical Bank in London, said that the chancellor showed less commitment to economic growth than he had expected, and that sterling could weaken further before the end of the year.

"Underlying institutional money is desperate to find a home where there is economic growth," he said. "But the message of the statement was that Britain is not moving fast enough in that direction. The rise in the public sector borrowing requirement would also make the market wary about the increased supply of government bonds, which may weaken sterling's exchange rate in the longer term."

Mr Ian Beauchamp, chief economist at Hambro, was particularly bullish about the pound's prospects. "The chancellor was tinkering at the edges rather than getting to the heart of the problem," he said. "There was nothing significant in the chancellor's package, and much about which one could cast doubt." He expects sterling to dip below the floor of its current range, DM2.40 to the D-Mark, before the end of the year.

The French franc continued to rise against the D-Mark in spite of the Bank of France's decision to cut its two main lending rates yesterday. The franc closed at FF3.3740 to the D-Mark from a previous close of FF3.381.

The French currency's rise has prompted speculation that the hard currencies in the Exchange Rate Mechanism—including the D-Mark and French Franc—will move to narrower bands next year.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Difference
Belgium Franc	100	41.5907	-0.0003	4.80	46
Dutch Guilder	100	2.3636	-0.0001	4.80	46
French Franc	100	6.5595	-0.0001	4.80	46
Italian Lira	1,000	2036.27	-0.0001	4.80	46
Spanish Peseta	100	166.64	-0.0001	4.80	46
Irish Punt	100	7.8756	-0.0001	4.80	46
Portuguese Escudo	100	200.48	-0.0001	4.80	46
Swiss Franc	100	1.5340	-0.0001	4.80	46

Each central bank sets the European currency unit rates. Percentage changes are for the day's movement. The actual market rate for the currency, and the maximum permitted percentage deviation of the currency's market rate from its central rate, are shown in parentheses. 1/1000 Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 12	12:00	1:00	2:00	3:00	4:00
Spot	1.5340	1.5340	1.5340	1.5340	1.5340
1 month	1.5340	1.5340	1.5340	1.5340	1.5340
3 months	1.5340	1.5340	1.5340	1.5340	1.5340
6 months	1.5340	1.5340	1.5340	1.5340	1.5340
12 months	1.5340	1.5340	1.5340	1.5340	1.5340

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

Nov 12	12:00	1:00	2:00	3:00	4:00
Spot	78.0	78.0	78.0	78.0	78.0
1 month	78.0	78.0	78.0	78.0	78.0
3 months	78.0	78.0	78.0	78.0	78.0
6 months	78.0	78.0	78.0	78.0	78.0
12 months	78.0	78.0	78.0	78.0	78.0

CURRENCY RATES

Currency	Rate	% Change
Australia	1.5340	-0.0001
Canada	1.5340	-0.0001
Denmark	1.5340	-0.0001
France	6.5595	-0.0001
Germany	2.4150	-0.0001
Italy	2036.27	-0.0001
Japan	166.64	-0.0001
Netherlands	2.3636	-0.0001
Spain	166.64	-0.0001
Sweden	7.8756	-0.0001
Switzerland	1.5340	-0.0001
UK	1.5340	-0.0001
US	1.5340	-0.0001

CURRENCY MOVEMENTS

Currency	Rate	% Change
Australia	1.5340	-0.0001
Canada	1.5340	-0.0001
Denmark	1.5340	-0.0001
France	6.5595	-0.0001
Germany	2.4150	-0.0001
Italy	2036.27	-0.0001
Japan	166.64	-0.0001
Netherlands	2.3636	-0.0001
Spain	166.64	-0.0001
Sweden	7.8756	-0.0001
Switzerland	1.5340	-0.0001
UK	1.5340	-0.0001
US	1.5340	-0.0001

OTHER CURRENCIES

Currency	Rate	% Change
Argentina	1.5340	-0.0001
Brazil	1.5340	-0.0001
Chile	1.5340	-0.0001
Colombia	1.5340	-0.0001
Costa Rica	1.5340	-0.0001
Cuba	1.5340	-0.0001
Czech Republic	1.5340	-0.0001
Dominican Republic	1.5340	-0.0001
Ecuador	1.5340	-0.0001
El Salvador	1.5340	-0.0001
Guatemala	1.5340	-0.0001
Honduras	1.5340	-0.0001
Hungary	1.5340	-0.0001
India	1.5340	-0.0001
Indonesia	1.5340	-0.0001
Israel	1.5340	-0.0001
Italy	1.5340	-0.0001
Japan	1.5340	-0.0001
Korea	1.5340	-0.0001
Malaysia	1.5340	-0.0001
Mexico	1.5340	-0.0001
Morocco	1.5340	-0.0001
Netherlands	1.5340	-0.0001
Nicaragua	1.5340	-0.0001
Norway	1.5340	-0.0001
Pakistan	1.5340	-0.0001
Peru	1.5340	-0.0001
Philippines	1.5340	-0.0001
Poland	1.5340	-0.0001
Portugal	1.5340	-0.0001
Romania	1.5340	-0.0001
Saudi Arabia	1.5340	-0.0001
Senegal	1.5340	-0.0001
Singapore	1.5340	-0.0001
South Africa	1.5340	-0.0001
South Korea	1.5340	-0.0001
Spain	1.5340	-0.0001
Sweden	1.5340	-0.0001
Switzerland	1.5340	-0.0001
Taiwan	1.5340	-0.0001
Tanzania	1.5340	-0.0001
Thailand	1.5340	-0.0001
Togo	1.5340	-0.0001
Turkey	1.5340	-0.0001
Uganda	1.5340	-0.0001
UK	1.5340	-0.0001
US	1.5340	-0.0001
Venezuela	1.5340	-0.0001
Zambia	1.5340	-0.0001
Zimbabwe	1.5340	-0.0001

MONEY MARKETS

UK and France ease

CASH rates in the sterling money market were virtually unmoved yesterday after the UK chancellor announced that the Bank of England will post a Minimum Lending Rate of 7 per cent today, writes James Bitts.

This signalled a 1 percentage point cut in base rates, but the reduction had been accurately priced into the market and little trading followed the statement.

In recent days, dealers had been putting on the possibility of a 2 percentage point cut in rates this week. But several hours before the speech, market rates firmed, with 6-month money moving back up to 6 1/2 per cent from 6 1/4 per cent.

UK clearing bank base lending rate 7 per cent from Friday 12 November, 1992.

Three-month money, a key indicator of how the market thinks rates are moving, traded at around 7 per cent shortly before the chancellor stood up in the House of Commons, and closed at that level.

Short sterling futures reflected slightly less optimism that base rates will be at 6 per cent by the New Year. The December short sterling contract closed down 14 basis points from its high at 93.40, pricing 3-month money at 6.80 per cent by Christmas.

FT LONDON INTERBANK FIXING

CL.00 a.m. Nov 12	3 months US dollars	6 months US dollars
Mid 3 1/4	offer 3 1/4	offer 3 1/4

The money rates are the primary rates offered to the market on the basis of the bid and offer rates for 31 days quoted to the market by the reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas and Citibank.

MONEY RATES

NEW YORK

Instrument	Rate	% Change
3-month T-bill	6.80	-0.01
6-month T-bill	6.80	-0.01
12-month T-bill	6.80	-0.01
3-month Eurodollar	6.80	-0.01
6-month Eurodollar	6.80	-0.01
12-month Eurodollar	6.80	-0.01

LONDON MONEY RATES

Instrument	Rate	% Change
3-month T-bill	6.80	-0.01
6-month T-bill	6.80	-0.01
12-month T-bill	6.80	-0.01
3-month Eurodollar	6.80	-0.01
6-month Eurodollar	6.80	-0.01
12-month Eurodollar	6.80	-0.01

FT FOREIGN EXCHANGE RATES

Currency	Rate	% Change
Australia	1.5340	-0.0001
Canada	1.5340	-0.0001
Denmark	1.5340	-0.0001
France	6.5595	-0.0001
Germany	2.4150	-0.0001
Italy	2036.27	-0.0001
Japan	166.64	-0.0001
Netherlands	2.3636	-0.0001
Spain	166.64	-0.0001
Sweden	7.8756	-0.0001
Switzerland	1.5340	-0.0001
UK	1.5340	-0.0001
US	1.5340	-0.0001

FINANCIAL FUTURES AND OPTIONS

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
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103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

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Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
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104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

Strike	Call	Put	Settlement
100	0.01	0.01	0.01
101	0.01	0.01	0.01
102	0.01	0.01	0.01
103	0.01	0.01	0.01
104	0.01	0.01	0.01
105	0.01	0.01	0.01

LIFTS LONG GILT FUTURES OPTIONS

	Close	High	Low
Dec	108.15	108.17	108.07
Mar	107.63	107.64	107.56

ROSSWORD

3 pm November 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991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فانصة المال

FINANCIAL TIMES FRIDAY NOVEMBER 13 1992

43

NYSE COMPOSITE PRICES

Continued from previous page									
Stock	Div.	Yld.	High	Low	Close	Change	Stock	Div.	Yld.
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56

NASDAQ NATIONAL MARKET

3 pm November 12

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Stock	Div.	Yld.	High	Low	Close	Change	Stock	Div.	Yld.
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56

AMEX COMPOSITE PRICES

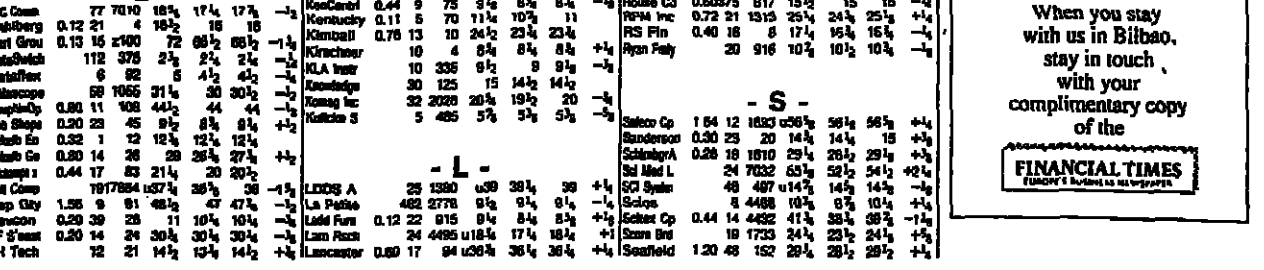
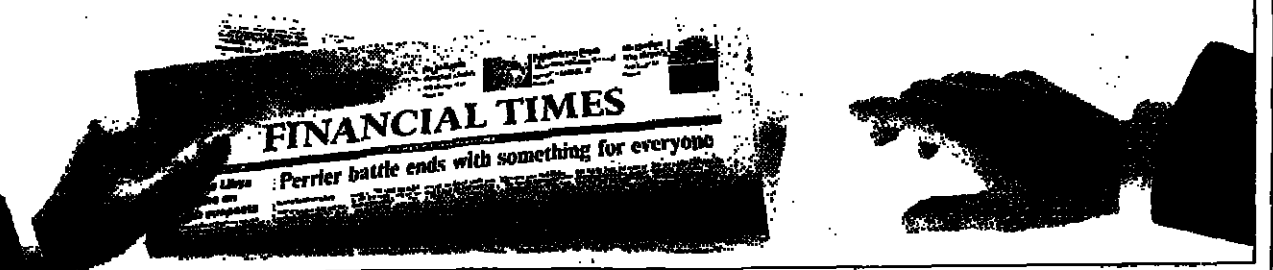
3 pm November 12

Continued from previous page									
Stock	Div.	Yld.	High	Low	Close	Change	Stock	Div.	Yld.
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56
3M Co	0.44	5.56	34 1/2	34 1/2	34 1/2	0	3M Co	0.44	5.56

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JAPAN AND THE EUROPEAN COMMUNITY

SECTION III

Friday November 13 1992

A FEW months ago, a Japanese tourist, one of thousands who each year ride the famous cog railway to the Jungfrau high in the Bernese alps, was horrified to discover a frenzy of Japanese graffiti scrawled on the rocky peak.

Looking closely, he even discovered the signature of the deputy mayor of his native town of Kurobe, and when he got home he complained. The deputy mayor admitted his crime and offered to pay for the clean up.

Responding in kind, the Bernese said they were touched by the offer, but they welcomed Japanese visitors and did not mind having to clean off the graffiti every few years themselves.

It was a small incident, but it would be nice to think that it is representative of a growing goodwill between Japanese and European peoples.

Goodwill was massively present during the memorable Japan Festival in Britain last autumn, and other European countries are now trying to set up similar festivals.

It also seems to be reflected in efforts in the past few years to deepen and strengthen political and institutional relations between Tokyo and Brussels.

Japan and Europe certainly have many good reasons to get to know each other better. They are both emerging global powers, struggling to find roles in the post cold war world order, and sharing the frustrations of operating in the shadow of the US. They also share anxiety about the future of their giant but crippled mutual neighbour, Russia.

Thanks to a large and growing volume of industrial investment in each other's territory, they both have a big interest in each other's economic health. And Japanese industrialists have been prominent among those monitoring closely the drama over the Maastricht treaty (see pages 2 and 4).

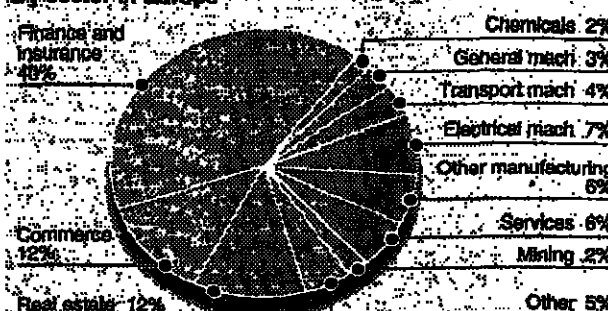
While bilateral cultural links have not been as strong as those that each has with the US, there is nevertheless a deeply rooted base. A legacy of European influence on Japan's entry into the modern world in



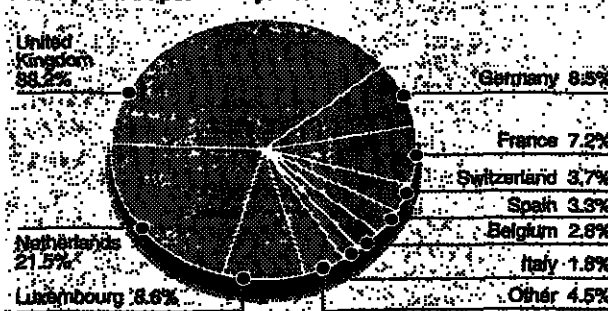
Japanese worker (left) on the assembly line at Nissan's UK car plant; right, lively moment for dealers on the Tokyo Stock Exchange

Accumulated Japanese Investment, 1991

By sector in Europe



Principal European recipients



but the pace of financial deregulation is slow (see page 5)

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Editorial Production: Michael Wiltshire.

Evidence of growing goodwill

Ian Rodger highlights efforts towards political and economic co-operation between Tokyo and Brussels

the second half of the 19th century is still widely present in Japanese language and customs.

An X-ray in Japanese is a *rentogen* (from Röntgen, its German inventor), a ski slope is a *gelande*. The transliteration of English sounds into Japanese characters is based on British pronunciation, not American.

Nevertheless, the relationship has remained superficial, dogged by misunderstandings and mistrust at the official level and plagued by stereotyping at the popular level.

A recent study of British newspapers' treatment of Japan found that the popular papers still concentrate on war atrocity and 'funny Jap' stories. In France, senior politi-

cians could, until recently, score popular points by making insulting remarks about Japanese.

Similarly, many Japanese still hold simplistic and patronising views of Europeans as self-satisfied and lazy custodians of art galleries and baroque palaces.

Until the late 1980s, official contacts between Japan and European countries were, as with almost all of Japan's external relationships, essentially one dimensional, concerned only with trade and economic relations.

The conditions for change were set in the aftermath of the Plaza revaluation of the yen in 1985 when Japan's economic superpower status came to be recognised for what it

was. Japanese leaders gradually began to accept - and in rare cases, to covet - a greater role in world affairs.

In a landmark speech at the Mansion House in London in May, 1988, Mr Noboru Takeshita, the then Japanese prime minister, declared that the era of US domination of the West was over and that a structure of joint leadership by the 'trilateral partners', as he called the US, western Europe and Japan, was emerging.

"There is an imperative need for effective and balanced co-operation, both politically and economically, between the trilateral partners," he said. "It cannot be denied, however, that the relations between Japan and Europe, which form one side of the triangle, have

not been close enough, compared with the other two sides."

Today, few would dispute that progress in building closer relations between Japan and Europe has been disappointingly modest. It has often seemed that the EC was dragging its feet, but Mr Peter Ludlow of the Centre for European Policy Studies in Brussels puts most of the blame on the Japanese - "the number of common issues Japan is willing to talk about is rather limited," he says.

IN November, 1990, following the signing of a comprehensive bilateral accord between the US and the EC, Tokyo proposed that a similar treaty be negotiated between

the EC and Japan. Brussels agreed, but negotiations were tortuous.

Tokyo tried to take the high road, seeing the treaty as a way to set up frameworks for regular contacts on political and strategic matters and for cultural and scientific exchanges. But the EC wanted to insert clauses requiring Japan to open its markets and to agree that both sides would seek "a balance of benefits" from the relationship.

In the wake of the signing of the Joint Declaration in July, 1991, the EC has certainly not restrained its tendency to pursue trade issues.

Last year, Japanese exporters were the subject of six definitive anti-dumping decisions, compared with only

three in 1990. Also, after years of tense negotiations, the EC won agreement to restrict Japanese car imports until 1998.

On the political front, however, little has been achieved, and with each side more and more preoccupied with problems in its own region, there is little prospect of further progress at the moment.

As Mr Tomohiko Kobayashi, Japan's ambassador to the EC, acknowledged in an interview for this survey, "At this point, we cannot do very spectacular things."

It would be wrong to be too disappointed about this state of affairs. The triangle, which has become an oft quoted symbol of the need for building up the EC-Japan relationship, is probably too ambitious a representation of the possibilities.

Neither side is yet willing or perhaps able to threaten its relationship with the US to strengthen their bilateral ties. And each has security and foreign policy priorities elsewhere - the EC in eastern Europe, Japan in east Asia - that for the foreseeable future are likely to rank ahead of their bilateral relationship.

Meanwhile, however, contacts at the individual, corporate and institutional levels are multiplying and deepening. For example, more than 200 Japanese owned companies now carry out research and development activities in the EC. Exchanges of managers, professionals, teachers and students, not to mention tourists, have mushroomed in the past decade.

All of which should, like the gesture of the deputy mayor of Kurobe, help to build the goodwill upon which a stronger political relationship can eventually be established.

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JAPAN AND THE EUROPEAN COMMUNITY 2

Lionel Barber on Japan's relations with the European Community

Big stake in EC's future

JAPANESE FOREIGN DIRECT INVESTMENT (\$bn)

REGION	1987	1988	1989	1990	1991
Europe	6.6	8.1	14.8	14.3	9.4
North America	15.4	22.3	33.9	27.2	18.8
Asia	4.9	5.6	8.2	7.1	5.5
Latin America	4.8	6.4	5.2	3.6	3.3
Others	1.7	1.8	5.4	4.7	4.1
WORLD TOTAL	33.4	47.0	67.5	56.9	41.5

In EC-12*

REGION	1987	1988	1989	1990	1991
UK	2.5	4.0	5.2	6.8	3.6
Netherlands	0.8	2.4	4.5	2.7	2.0
Luxembourg	1.8	0.7	0.7	0.2	0.3
Germany	0.4	0.4	1.1	1.2	1.1
France	0.3	0.5	1.1	1.3	0.8
Spain	0.3	0.2	0.5	0.2	0.4
Belgium	0.1	0.2	0.3	0.4	0.2
Ireland	0.1	0.0	0.1	0.05	0.1
Italy	0.1	0.1	0.3	0.2	0.3
Portugal	0.01	0.01	0.1	0.1	0.0
Greece	-	-	-	0.0	0.0
Denmark*	-	-	-	-	-
TOTAL	6.41	8.51	13.9	13.25	8.8

FOREIGN DIRECT INVESTMENT IN JAPAN (\$bn)

REGION	1987	1988	1989	1990	1991
Europe	0.5	0.8	0.6	1.4	1.4
US	0.9	1.8	1.6	0.7	1.3
Others	0.8	0.3	0.4	0.5	1.0
Japan	0.2	0.3	0.2	0.2	0.6
WORLD TOTAL	2.2	3.2	2.8	2.8	4.3

By principal EC countries (\$bn)

REGION	1987	1988	1989	1990	1991
UK	0.05	0.1	0.06	0.05	0.4
Germany	0.05	0.2	0.1	0.3	0.2
France	0.02	0.03	0.03	0.07	0.05
Netherlands	0.07	0.3	0.3	0.7	0.3

* Figures for Denmark are omitted. Historically, Japan's foreign direct investment in Denmark has been the lowest of the twelve, amounting to a cumulative total of US\$20m over the period of 1981-1990. *Direct investments by Japan are those by affiliates of foreign businesses in Japan. Sources: Japan's Ministry of International Trade and Industry.

THE POLITICAL crisis in the European Community over the future of the Maastricht treaty has alarmed few countries more than Japan.

Whatever its faults, Maastricht seemed to offer a degree of stability and predictability to Japan's relations with the EC. Now that the fate of the treaty hangs in the balance, the Community faces a prolonged period of debilitating uncertainty. This is a prospect which worries the Japanese almost as much as the Europeans themselves.

Japan's cumulative investment in the EC amounts to more than \$55bn. Although this represents less than half the Japanese investment in the US, it still marks a hefty stake in the Community's future. By the end of the decade, it is quite conceivable that the European market will become as important to Japanese industry as the American.

But Japanese concerns extend beyond measuring business confidence. The big question is whether a Europe increasingly preoccupied by crisis management and recession will become more introverted, more nationalist, and less predisposed to foreign competitors, particularly

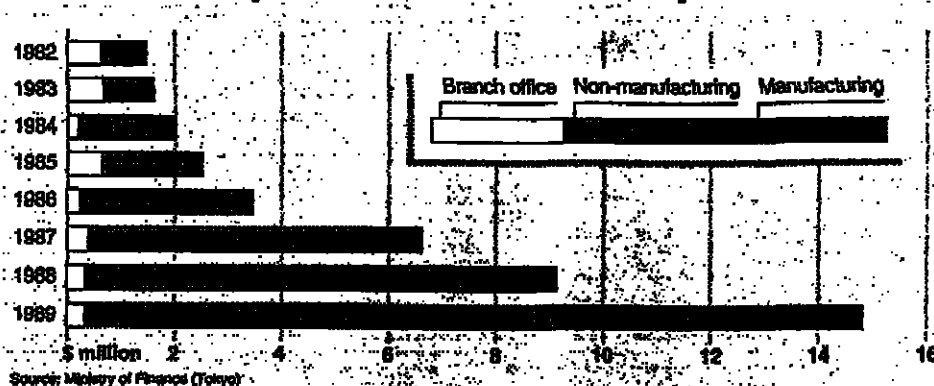
Japan. Two years ago, the prevailing mood was much more optimistic. Despite enduring tensions over trade, fears about a Fortress Europe constructed around the 1992 Single Market programme had largely dissipated as tentative efforts got underway to build a broader relationship between the Community and Japan.

This process led to the joint declaration in the Hague in July 1991, which for the first time attempted to treat Japan and the EC as two economic superpowers seeking a more mature relationship, rather than petty rivals squabbling over their respective shares of the European car market.

An EC report submitted to the European Council last spring summed up the new approach: "Both (Japan and the EC) are in many ways at a similar stage of taking up their responsibilities on the world stage, Japan because it is searching for ways of translating its economic power into political influence, the Community because it is adopting through the European Union institutions and mechanisms to enable it to play a stronger foreign policy role."

The gap between aspirations and reality is a common theme in the development of the EC.

Structure of Japanese investment in Europe



Source: Ministry of Finance (Tokyo)

Recent examples include the EC's dilatory response to the Gulf crisis and the painful divisions in Community ranks provoked by the civil war in Yugoslavia.

Since the Hague declaration, high-level contacts have taken place in areas such as the environment, development aid, science and technology and, more improbably, "Japan-EC" industrial co-operation - including training for 50 to 60 young European executives to spend 18 months in Japan to learn the language for one year and receive six months training in Japanese companies.

The most striking example of co-operation occurred earlier this year when, much to the surprise of the US, the EC and Japan joined forces at the World Environment conference in Rio, Brazil. American fears that this amounted to a new Brussels-Tokyo axis were premature, but as a senior Japanese diplomat noted, the Rio summit showed that Japan was willing, under certain circumstances, to step out of line with the US and play ball with the Europeans.

The Danish rejection of the Maastricht treaty last June has led to a fundamental change in atmosphere. The image of a European super-state, dominated by German industry and French technocracy skills has crumbled. In the new mood of Euro-centrism, there is obviously a risk that the single most important aspect of EC-Japan relations - trade - will come back to the fore.

In 1991, Japan's trade surplus with the EC rose to \$27.4bn, an increase of 48 per cent. Japan explained this politically sensitive increase in three ways: a rise in exports to Germany due to an upsurge in consumer demand in former East Germany; the increase in the value of the yen; and, most worrying, a decrease in Japan's imports of luxury goods due to the end of the consumer spending boom and the collapse in asset values and real estate.

However valid these explanations may be, the trade imbalance has once again focused attention in Brussels on the lack of market access in Japan, above all "structural obstacles" to trade. This has led to renewed debate on how best to prise open the Japanese market. One option is to build on the EC-Japan deal on Japanese cars in the single European market, tentatively called "Elements of Consensus". Under the still secret agreement, both sides have attempted to address the central issues of the level of Japanese trans-plant production in Europe and what share the European and Japanese motor industries should have in the European

market's future growth, or, crucially, what share they should have in any decline in demand.

The deal is far from watertight, notably in its failure to secure any commitment from Japan to limit the production of Japanese cars in Europe, and the lack of clarity concerning how Brussels and Tokyo might share future EC car market growth and decline. But it still marks a clear step in the direction of managed trade, based on an effort to calculate future trends in the market.

Thus, EC officials are now looking at other European goods to check their performance in Japan and other foreign markets to establish more persuasive evidence on structural barriers to trade. Separately, they are reviewing the EC's own commercial instruments such as anti-dumping mechanisms as well as the US approach based on the Structural Impediments Initiative (SII).

Few officials in Brussels rate SII as an unqualified success; but they look enviously at the way in which SII addresses systemic barriers across all sectors of the economy, an intrusive approach which focuses nevertheless on matters that generally have a long time horizon such as the scope of exclusionary business practices in Japan, the distribution system, land use and the savings-investment gap.

See also page 4: Japanese business concerned over the Maastricht route.

THE Japanese banker looked at me sheepishly. "You know," he said hesitantly, "this is not a very good time to be writing about us."

Indeed, this is a painful period for Japanese bankers and securities companies in Europe. The high-flying 1990s, when easy money enabled them to grab big shares in the Euromarkets and launch bold forays into some European domestic financial markets, are over.

The collapse of the Japanese stock market has stripped the brokers of their most important profit stream and undermined the capital bases of most large banks. The slump in the Japanese economy has forced most industrial companies to slash their capital spending budgets and, consequently, to cancel the Eurobond issues that many used to finance them.

As a result of all these factors, both banks and securities companies have been forced to tone down their activity in Europe. This can be seen in the slide of the Japanese banks and brokers from the Eurobond league tables and the retreat of the Japanese banks from the interbank market. In London, for example, they

account for only 30 per cent of the interbank market now, compared with 38 per cent at the peak three years ago.

"We all have to be more conservative in building assets," says Mr Tomonori Naruse, senior managing director for Europe of Bank of Tokyo in London.

There is, of course, nothing that Japanese organisations hate more than slowing down or admitting defeat. Until recently, they clung to the status quo, insisting that they had made long term commitments and hoping desperately that market conditions would improve. But by the middle of this year, it became clear that, with continuing weak conditions at home, there was no alternative but to cut back abroad - "it is still not as drastic a retreat as that of some US companies," Mr Seichi Takeda, senior vice-president of Nomura Europe in London, says.

Last month, Nomura in London announced that it would retreat from market making in London of all European equities and several UK ones, causing some 50 redundancies from its 600 staff.

That was the first big cutback in London but others had already taken place in Zurich

Banking and financial markets

A painful period

where Japanese banks and brokers have had an extraordinarily high profile. Until recently, there were no fewer than 42 Japanese financial institutions registered in Switzerland, reflecting the high volume of Eurobond issues that used to be done for Japanese companies on the Swiss franc market. Last month, Chuo Trust and Banking, the trust bank, announced that it had closed its Zurich subsidiary in response to poor trading conditions, and would concentrate its European activities in London and Brussels.

Chuo was the third Japanese financial company to shut its Zurich office this year, the others being Ryoko Securities and Yamatane Securities. Japanese bankers in the city say none of their number are making profits at the

moment, so a few more could follow in the next few months. Nomura's Swiss subsidiary announced two weeks ago that it was closing its Basle branch. All of this is happening when there is, at least in theory, a rationale for financial institutions rationalising their operations in Europe.

Next year, with the creation of the single market in the 12 EC countries and its extension to the seven countries in the European Free Trade Association, any financial institution that has a licence in one of the 19 should be allowed to operate in all the others. Chuo Trust, for example, expects to be able to continue to operate in the Swiss capital markets from its Brussels office.

In fact, however, complete harmonisation is probably still a long way away. France and Germany, for example, still do

not allow financial institutions domiciled in other countries to be in the primary dealer group for securities issues, and they are showing no signs of being willing to change that stance. And while there is at least an EC banking directive that provides the framework for pan-European banking, the investment services directive that would do the same for securities and fund management is not expected to surface until the end of next year. As a result, Switzerland last month said that it too would continue to insist after January 1 that lead managers of Swiss franc issues have a domicile in Switzerland.

Thus, it looks as if there could be a rather brutal shakeout in the next few months, with the weaker Japanese institutions realising they have no future in Europe, while the strongest doggedly maintain their offices throughout Europe and, in a few cases, may even expand.

Nomura's Mr Takeda, for example, makes clear that the group's policy remains to have an independent presence in each of the leading European countries "there are still a lot of peculiarities in individual country markets, so penetration

of the European market really means penetration into each country," he says. Another problem is that as long as taxation systems are not harmonised, it will continue to be difficult to transfer capital and profits easily among European units.

Among leading Japanese banks, the accent is on rationalisation and on developing off balance sheet business after being wounded by bad loans to some of the spectacular bankruptcies in Europe. Japanese bankers say that branches in some less important cities could be reduced to representative offices. One ray of light is that the Japanese ministry of finance is likely from next year to allow them to lead manage Eurobond issues for Japanese companies. But it is a thin ray because it merely means that there will be more competition for the reduced amount of business around.

Bank of Tokyo is, ironically, an exception in still thinking of expansion, this year having upgraded its representative office in Vienna to a branch and opened an office in Moscow.

Ian Rodger

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David Dodwell examines Japan-EC trade relations

Key lessons to be learned

NISSAN, the Japanese motor manufacturer, leapt in 1991 to become Britain's 14th largest exporter: 90 per cent of the cars built in its new UK plant are exported. It is playing a lead role - along with Toyota and Honda - in transforming the UK from a significant net importer of cars to a large net exporter.

The strategic investments by Japanese car manufacturers in the UK over the past two years provide some striking insights into the EC's trade relationship with Japan. UK car imports fell 10 per cent in 1990, and a further 31 per cent last year. At the same time, exports leapt 20 per cent in 1990 and a further 21 per cent last year.

The UK produces 400,000 more cars today than it did in 1984. Nissan alone spent \$450m on supplies in 1991 - \$350m of them coming from other UK companies. The trend will be magnified in 1993, when cars start rolling off production lines at Honda's plant in Swin-

don, and Toyota's Derbyshire factory.

The evidence is clear: Japanese investment is playing a critical role in transforming a once-moribund British motor industry. It has boosted competition across Europe, forcing other manufacturers to improve quality.

Yet Japan, perhaps more than any other country, raises

In areas of trade and investment, the Japanese provide strategic role models

Europe's protectionist backlist. It is the hapless target of 150 import quotas, and of an average of 40 anti-dumping investigations every year. Products affected range from photocopyers and videos to toys, colour televisions and ball bearings.

Behind this pressure from European industry for protection is a steadily-mounting

trade surplus in Japan's favour. Exports to the EC rose from \$54bn in 1990 to \$59.6bn in 1991, while imports from the EC fell from more than \$35bn in 1990 to \$32bn in 1991 - leading to a visible trade balance in Japan's favour of \$27.6bn.

In the face of persistent complaints by "big industry" in Europe that Japan "dumps" products by using "predatory pricing policies", the European Commission has bowed again and again to demands for protection.

Sometimes "countervailing duties" are imposed. In other instances "voluntary" restraint agreements are reached under which Japanese exporters informally accept limits on the volume of products sold into the EC.

At the same time, European exporters complain that Japan's domestic market is impenetrable. They cite arcane distribution networks, informal agreements between vertically-integrated "families" of

Japanese companies, and close collaboration between Japanese companies and the Ministry of International Trade and Industry (MITI).

Objective evidence in support of either kind of complaint is hard to find, however. In the words of a recent report on Japan by the Paris-based Organisation for Economic Co-operation and Development (OECD), "there is little evidence to support the contention that import impediments imposed by the Japanese government are a decisive factor in Japan's trade surplus."

Similarly, the global trade watchdog, the Geneva-based General Agreement on Tariffs and Trade, concluded in its most recent study of Japan's trading practices that industrial groupings and local distribution practices "may be less important than is often claimed."

Using much more robust language, Mr Phillip Oppenheim, in his new book "Trade Wars", argues that "trade barriers in Japan have been, and are, exaggerated, often for self-serving reasons."

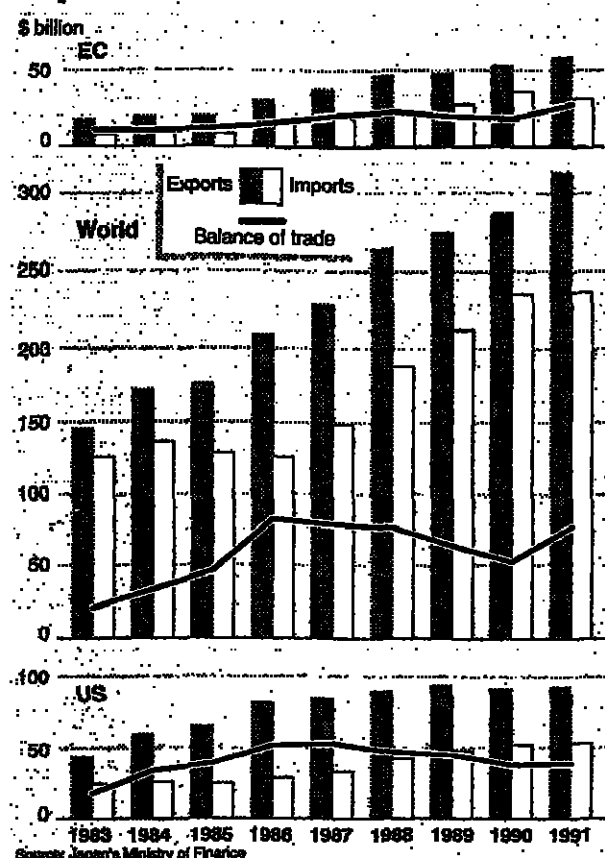
He attacks European industrialists who lobby Brussels for protection as "a pretty cosseted bunch of professional scapegoat-seekers."

Similar conclusions are reached by Mr Walter Eklis, director general of Britain's National Economic Development Office (NEDO) in a detailed study of the impact of recent Japanese trade and investment on British industry.

Drawing parallels with Japan's impact on the UK car industry, Mr Eklis recalls the collapse in the 1980s of Europe's colour TV industry in the face of Japanese competition. His evidence shows that producers like Philips or Thorn may have suffered, but that consumers and workers alike benefited.

While production by British-owned companies ground to a halt in 1988, the UK is now home for 18 of the 32 Japanese

Japanese trade



Source: Japan's Ministry of Finance

TV-manufacturing plants in Europe. A long-standing trade deficit in colour TV sets has been transformed, with the UK earning a \$446m surplus in 1991.

"Today's mainly Japanese-owned industry is sufficiently competitive to make a very considerable net contribution to the balance of payments when the previous British-owned companies had entirely failed to achieve the price and

Cumulative Japanese direct investment abroad

□ Cumulative amount, all countries, 1980: \$36.49bn; rising to \$352.392m in 1990, showing an average annual rate of growth from 1985-90 of 33.3 per cent.

□ In the US: cumulative Japanese investment: \$8.8bn in 1980; rising to

\$148.5bn in 1990; percentage distribution, 1980: 24.3; percentage in 1990: 42.2.

□ Cumulative investment in Europe: \$4.4bn in 1980; \$68.6bn in 1990 (average annual rate of growth, 1985-90: 44.2 per cent).

□ Amounts by country (also showing the average annual growth rate, 1985-90, in brackets):

□ United Kingdom: \$2bn in 1980; rising to \$26.18bn in 1990; (annual average

more than 250bn).

While almost 80 per cent of Japanese investment has been in non-manufacturing areas like banking and insurance, the residual 20 per cent has generated an estimated 94,000 jobs in 500 plants across the EC - almost all opened since 1985, and at an "infant" stage where significant further expansion is expected.

The UK has been the prime target for Japanese investment, partly for reasons of language, regional incentives, and the role of the city of London, but significantly because of the British government's positive support for investment. In allowing wholly Japanese-owned plants on green field sites, the UK government has enabled Japanese manufacturers to import state-of-the-art technologies, and labour relations unsullied by entrenched trade union practices.

One can argue therefore that within the EC, Britain has perhaps been the main beneficiary of trade and investment relations with Japan. Investment has helped to speed industrial restructuring, and has begun to create new industry attitudes to the concept of quality.

Although Europe's trade and investment relationship with Japan has generated much political heat, it is important to provide perspective by emphasising how comparatively small a part Europe continues to play as a destination of Japanese goods or investment. According to data compiled by Mr Jocelyn Probert at Insead's Euro-Asia Centre in France, Japan in 1991 accounted for 2 per cent of the EC's exports, while just 5 per cent of the EC's imports came from Japan.

The EC accounts for only 6 per cent of Japan's foreign

investment, and in 1990 attracted just a quarter of the Japanese investment flowing into the US. This occurred at a time when the EC was the world's leading recipient of investment, accounting for almost 45 per cent of global investment flows in 1990. Needless to say, the US remains Europe's biggest source of investment.

A number of recent developments also suggest Japanese investment flows to Europe will slip back in the mid-1990s:

- Investment linked with "strategic positioning" ahead of creation of the single market is now mostly in place.
- Recession in Europe means that most recently-built Japanese plants have more than enough capacity to cope with foreseeable demand.
- The bursting of the "bubble economy" in Japan means that many of Japan's strongest foreign investors are hard-

pressed, more inclined to pull in horns rather than add to investments overseas.

Higher Japanese interest rates mean investment capital is more expensive today than it was throughout the 1980s.

Whatever the likely trend for the immediate future, the fact of the 1990s has been that Japan has emerged to play a significant role in the EC, both as an exporter and an investor. Most reliable evidence suggests that Europe is gaining more from this relationship than it is losing - whatever the special pleading of protected European manufacturers.

The best strategy for the 1990s must therefore be, in Mr Eklis's words, "to have the Japanese firmly inside Europe as role models for others to learn from... and learn with the greatest possible rapidity."

□ Netherlands: \$298m in 1980; \$14.77bn in 1990; (54.3 per cent).

□ Spain: \$173m in 1980; \$2.24bn in 1990; (34.3 per cent).

□ Switzerland: \$191m in 1980; \$2.55bn in 1990; (31 per cent).

□ Former USSR: \$192m in 1980; \$299m in 1990; (9.1 per cent).

Sources: US Department of Commerce, 1992

INVESTMENT IN MANUFACTURING

Time for rigorous assessment

IN CONTRAST to the 1980s, a decade that witnessed a frantic rush by Japanese companies to invest in the European Community, the 1990s are characterised by a more cautious approach by the Japanese to investment in the region.

The change reflects both the end of the first big wave of Japanese investment in the EC and the different economic climate in which Japanese corporations are finding themselves as business activity in leading world markets, including their home market, has remained depressed.

The number of new Japanese manufacturing investments in Europe has fallen from that in the previous year, according to a survey of Japanese manufacturers conducted by the Japan External Trade Organisation (Jetro) earlier this year.

After increasing by more than 100 each year since 1988, the Jetro survey found that the number of manufacturing companies with Japanese capitalisation of at least 10 per cent in 19 EC and EFTA nations rose by just 69 last year.

While the increase still represents an 11 per cent rise from 652 to 721, the pace has clearly slowed.

The fall in new investments comes despite the growing importance of the EC as a market in the eyes of Japanese executives.

It is not that Japanese companies are turning their backs on Europe but rather that most Japanese companies with an interest in setting up business in the EC have done so already.

At the same time, the recession combined with the serious cracks that have emerged within the EC months before the single market is set to start and the political turmoil in Eastern Europe and the former Soviet Union, have all contributed to a feeling that growth for growth's sake may not be the most sensible strategy.

Recessionary pressures, for example, have thwarted the plans of some medium- and smaller-sized companies which had planned to invest in Europe after setting up in the US, according to Mr Masao Kobayashi at Jetro.

The latest trend in Japanese activity in the EC is therefore not so much for investment by newcomers but for a more rigorous assessment by companies already located in the EC of their long-term plans for Europe.

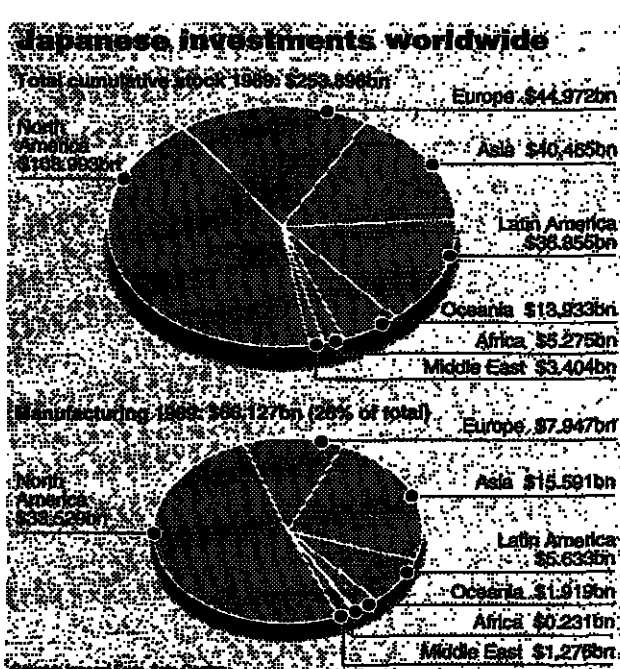
This reassessment has brought about an interesting pattern of activity among Japanese companies in the region.

On the one hand, there has been a strong rise in recapitalisation by Japanese corporations in areas where they expect to see market growth.

At the same time, however, many Japanese companies are busy restructuring their European businesses to create greater efficiencies and a better co-ordinated regional operation. Here, the trigger seems to be the economic downturn rather than any immediate developments arising from the impending single European market.

Among the companies Jetro surveyed, more than 73 per cent have undergone or are undergoing recapitalisation. The reasons for doing so vary from the need to expand production or modernise facilities to diversification into new fields.

NEC, the world's largest semiconductor manufacturer,



for example, recently announced it would invest \$3m on a sophisticated order processing system in its semiconductor manufacturing plant in Livingston, Scotland, where the company has been located for 10 years.

The trend indicates that in some areas, expectations among Japanese executives for the European single market have remained high despite the current economic weakness of the region.

Meanwhile, the world recession that is slashing the profits of corporate Japan has led to a greater awareness of the need to rationalise operations in the region.

Toshiba's Europe Office in London, for example, is currently busy considering ways in which the operations of 87 Toshiba companies in 11 European countries can be rationalised.

'Japanese investment in European manufacturing has not seen its full potential'

These Toshiba companies in the EC were set up over the years according to the different needs of each division. As a result, there are many areas of business that overlap and could be combined for greater efficiency.

"Until now, as long as sales increased it was still alright that there were so many separate Toshiba companies each with their own staff for various functions, such as advertising," says Mr Yuki Wakayama, general manager of corporate communications at the Europe Office in London.

The recession, however, has changed all that and the group is considering restructuring some manufacturing facilities as well, although no specific plans have been announced yet.

One step in that direction that has already been taken was to combine some of the functions of the PC sales companies in Belgium and Holland as neither country is large enough as a market to justify the presence of independent sales companies.

Another aim of the Europe Office is to co-ordinate European activities, advise on future strategies and become the corporate "face" of Toshiba in Europe. Before the new office was established, the group as a whole was not represented as each business divi-

sion had its own European headquarters in various cities. Toshiba is not alone in trying to restructure its European operations.

Other Japanese corporations are studying the possibility of relocating their European headquarters for various strategic reasons, according to Mr Haruo Ohtsuki, executive consultant in the international markets group at KPMG Peat Marwick, the management consultancy.

For example, more companies are expressing an interest in taking advantage of different corporation tax levels that exist in different countries within the EC, Mr Ohtsuki notes.

Nevertheless, the most widespread response among Japanese companies to the approach of the single European market has been to quicken the pace of localisation of their operations.

Asked what steps they were taking to prepare for the single market, over half of the respondents to the Jetro survey cited localisation of business activities by increasing employment of local staff and activities to benefit their local communities. There is also great interest in the goings-on in Brussels and some Japanese companies have taken moves to help them to better deal with the Commission.

A keen concern among Japanese companies is how the Community's relationship with its eastern neighbours develops amid the political unrest in eastern Europe and volatile situation in Russia. They are looking forward with great expectations - and fingers crossed - to the birth of a huge market spanning not just the European Community but all the way to the Russian steppes.

In the meantime, there could be more restructurings if the business climate remains weak. But Jetro believes that once economic activity picks up, there is plenty of room for new investments in the EC, particularly by medium to small-sized companies.

At the end of March 1991, Japanese investment in Europe amounted to only 22.5 per cent of total Japanese investment overseas, compared with 43.3 per cent invested in the US, according to the ministry of finance. The figures indicate that Japanese investment in Europe has not seen its full potential yet, Jetro concludes.

Michio Nakamoto

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JAPAN'S relations with the EC are meant to be governed by the high flown commitments of their joint Hague declaration, adopted in July last year which talks of a deepening partnership based upon the common ideals of freedom, democracy and the rule of law.

Making the ideals of the Hague declaration a reality will be a long hard slog. Nothing could better symbolise the difficulties which the EC faces in establishing its legitimacy and leverage with the Japanese authorities than the arrival of Mr Jean-Pierre Leng, the EC's current ambassador to Japan.

National ambassadors usually present their credentials to the Emperor. But previous EC ambassadors had been shuffled to one side and asked to present their credentials only to the foreign minister and latterly to the prime minister.

With Mr Leng's arrival the EC made it clear, politely but firmly, that it expected its ambassador to be treated on a par with ambassadors from its member-states.

Mr Leng did indeed visit the Imperial Palace to present his credentials to the Emperor. But only after a significant delay to his arrival in Japan.

The EC's relations with Japan are clouded and complicated by several factors.

Japan has a much more developed and intense relationship with the US, which has played a vital role in Japan's economic and political development since World War II.

Charles Leadbeater in Tokyo looks at Japan's relations with the EC

Concern over market mechanisms

Moreover the strategic and economic aspects of Japan's relations with the US are deeply intertwined. The ugly gritty of trade discussions have been conducted within Japan's reliance upon the overarching framework of US foreign policy. The strategic relationship between the US and Japan has always been an important counterweight to growing friction over trade.

Not only is Europe's relationship with Japan less intense, it also largely lacks the balance of this strategic political dimension. The Hague declaration was an attempt to lay the foundations for such a relationship. But it has not got very far according to an EC review of its relations with Japan written in May this year. It said: "Progress on political dialogue has so far fallen short of expectations. There has been difficulty for reasons of timing in keeping to the schedule of meetings and when they have taken place they have shown that the dialogue between the Community and Japan falls behind that between the Community and the US, whereas the two should be more nearly on the same level."

Senior officials at the Japanese foreign

ministry regard an integrated Europe as central to the architecture of a stable international order in the wake of the end of the cold war. However, that recognition of the historic significance of European integration will not be immediately reflected in Japanese policy.

The EC and Japan have sharply differing approaches towards aid to Russia.

'Europe lacks both the political relationship and the institutional machinery with Japan to deal effectively with growing trade tensions'

Japan insists it will not give bilateral aid until its dispute with Russia over the Northern Territory islands off Japan's northern tip, is settled.

The intricacies of EC politics are not easy to follow from Tokyo. This reflects cultural and practical difficulties.

Mr Seamus Gillespie, economic and financial counsellor at the EC embassy in Tokyo remarked: "Japan is quite culturally and ethnically homogeneous. It has a quite centralised political system. It is difficult for the Japanese to recognise the diversity and fertility of political forms within a multinational Europe."

Japan's approach is further complicated by the varying strength of its bilateral relations with different EC member-states, in which the UK, the main destination for recent Japanese manufacturing investment is often presented as Japan's main

friend in Europe. Some EC officials say Japan still plays off member-states against one another, for instance over inward investment into Europe when it needs to. However, EC officials in Tokyo say the differences between member-states are narrowing, policy-making is becoming more cohesive and, with it, the EC's credibility in Japan is improving.

Mr Mark Bedingham, chairman of the European Business Council says: "It can often be laborious and time-consuming to

gather a common EC view on trade issues, first among industry and then getting it on to the Brussels agenda. But the EC is now accepted as the central body for trade negotiations and progress has been made in some important sectoral issues such as wines and spirits, and pharmaceutical testing."

The costs of a lack of well-developed strategic relationship and a machinery to match it, could be crucially exposed in the next few years because trade tensions between the EC and Japan could worsen. Over the next decade, the single European market could become as important to Japanese industry as the North American market. However, Europe lacks both the political relationship and the institutional machinery with Japan to deal effectively with growing trade tensions.

Japan's trade surplus this year will grow to a record high and its surplus with the EC is growing at a faster rate than with the US. The May review of EC relations with Japan said the heart of the trade problem was "the structural obstacles which are currently the main barriers to doing business in Japan whether by exporting or by investing there. Although

some progress has been made through increase in infrastructure expenditure, more vigorous enforcement of anti-trust legislation and some liberalisation of distribution, the pace of structural reform remains frustratingly slow despite declarations of intention by successive governments."

The review identified the main problem as a failure of market mechanisms due to "ineffective competition policy, exclusive business practices, close and often obscure relations between the public authorities and the private sector and the over regulation of certain sectors."

Concern over these issues has led the EC to adopt a much tougher formal approach to monitoring its trade relations with the Japan, by comparing market share for EC industries in Japan with their shares in comparable third country markets. EC officials insist that as yet there is no justification or reason for a European version of the structural impediments initiative approach to trade launched by the US in 1989.

However, the EC is concerned that increasing bilateral trade negotiations between the US and Japan may discriminate against European producers. If the Japanese trade surplus grows next year while the European economic growth slows the EC may come under pressure to adopt a more assertive approach to trade.

The long hard slog may be about to become longer and harder than first thought.

Prominent European businesses are finding new ways into a tough market

How to win trade success in Japan

A EUROPEAN moving to Japan can enjoy the familiarity of a wide range of consumer brands that are well-known at home. German cars dominate the import market and are everywhere on the streets of Tokyo. The Shell logo hangs outside some 7,000 petrol stations around the country.

Yves Saint Laurent bags (and a host of look-alikes) hang from far more arms in Tokyo than they do in Paris. Industrial shoppers can buy Alpen cereal, and Body Shop cosmetics and browse for English imports at a local branch of Harrods. Competing for the slot as the top recorded music store in town is Virgin Megastores.

The Japanese market has a just reputation of being extremely hard to crack, yet a number of prominent European companies - particularly those who have been doing business in Japan for a long time - have blended into the local business scene to a point where they are virtually indistinguishable from the Japanese competition.

The oil industry is a case in point. The Royal Dutch/Shell group has been operating in Japan as Shell Sekiyu for decades and in 1985 merged its

operation with Showa Oil. Shell now holds a 50 per cent stake in Showa Shell Sekiyu, one of the most prominent retailers of petrol in the country, and by far the most profitable refiner in an industry where profits are generally terrible.

Its Formula Shell unleaded petrol proved a huge marketing hit in a country where innovative products are easily sold at a premium. (Formula Shell was withdrawn from markets elsewhere in the world because of possible problems in the product's leaded variety.)

In short, Shell runs an integrated oil operation in Japan, including some overseas exploration, that is virtually indistinguishable from Shell's local operating companies elsewhere in the world.

Yet the virtues of getting in early, are well illustrated by British Petroleum. BP has a corporate presence, a trading operation, and is active in the chemicals business, but the

costs and risks of trying to enter the refining and retailing business virtually bar it from participating in one of the most important oil markets in the world.

Trade statistics give a good indication of the sorts of industries where European companies

Consumer goods with high quality or fashion appeal are in strong demand in Japan

have made an impact. Of the \$15.5bn in European imports during the first half of the year, 11.3 per cent consisted of food products; 19 per cent of chemicals and pharmaceuticals; 7.3 per cent of textiles and clothing; and 14.6 per cent automobiles.

Aside from chemicals and pharmaceuticals - industrial products where European companies often have a very clear technical and cost-of-production edge - European compa-

nies have tended to establish themselves on the basis of selling consumer goods that have a strong quality or fashion appeal.

Among the most successful companies are the German car makers - Volkswagen/Audi, BMW, and Mercedes Benz - who together account for a disproportionate 59 per cent share of the imported car market. They are successful in part because of the many years they have devoted to burnishing the image of their products.

Many educated Japanese will say that German cars offer superior engineering and more precise handling, as well as more distinctive style, than their Japanese counterparts even though consumers elsewhere in the world where Japanese cars have gained large market share would plainly not agree.

VW and Audi together claimed 28 per cent of the market; BMW 18 per cent, and Mercedes 17 per cent. German car

sales have been hit by the downturn in the market, particularly Volkswagen, which is in the process of ending a long-standing agreement with its principal distributor, Yanase. Yet sales declines have been roughly in line with the market, which was off 11.3 per cent in the year to August, while sales of French cars fell by 27.5 per cent and Italian cars by 28 per cent.

Peugeot, which had a market share of just 1.56 per cent and saw sales collapse by 46.8 per cent, has recently tied up with Inchcape, the British international distribution and marketing service company, in an effort to improve performance. Inchcape itself offers an interesting example of how to get going in the Japanese market, as well as a distribution route for other companies for whom costs of independent distribution are prohibitive. Indeed, Inchcape has begun distributing some products for

foreign companies who have run afoul of Japanese joint venture partners.

"We've been here for a long time," says Mr Paul Hobkinson, president and group representative in Japan. "We are substantially a Japanese company."

A sales breakthrough in the Japanese market is often essential to worldwide success

Inchcape traces its first involvement in Japan to 1982. It now has a staff of about 1,500, only six of which are expatriate, and three of which have regional responsibility. Mr Hobkinson says longevity has several advantages. It helps when recruiting Japanese staff, who wonder whether their employer will be around not just next year, but when retirement comes. It

even helps with the rent, where landlords often charge far below market rates to long-time tenants. As a long-time player, Inchcape is well integrated into Japan's complex distribution network, where contacts and detailed knowledge are key to success.

Inchcape likes to handle products where it can carve out a substantial and secure market share. Inchcape, for example, introduced the first beer kegs into the Japanese market, which was dominated by bottles, and now has a majority market share. It handles Domino commercial ink jet machines, which take about 35 per cent of the market after Ricoh's 35 per cent share.

It handles a range of other well-known products such as Royal Doulton, Mars Pet Foods and Filofax.

For many companies, however, being in Japan is more than a marketing opportunity. Worldwide, Philips, the Dutch

electronics group, has embarked on a worldwide restructuring and refocusing of the business, but this has involved expansion and greater commitment in Japan. It was, after all, the success of the Japanese consumer electronics companies that has in part led to Philips current financial difficulties. Philips has a high reputation among its competitors for technology and innovation but a low profile among consumers. Mr Hendrikus Holsbergen, who runs Philips operations in Japan, says: "When you can meet the competition in Japan, you can meet it anywhere."

Philips launched Digital Compact Cassette, its newest audio product, in Japan before anywhere else in the world.

Mr Holsbergen says Philips must be active in Japan because of the large consumer market and the fact that Japan is the place where trends in consumer electronics, fashion and technology are being set. Philips also has plunged itself into the complex web of parts suppliers that has been an underlying strength of the Japanese industry.

Steven Butler

Japanese concern over Maastricht treaty rows

Fears over long-term impact

THE UNCERTAINTY generated by the rows over the Maastricht treaty have prompted executives at many Japanese-owned companies to be more outspoken than usual over political issues.

In Britain in particular, the most popular target for Japanese investment, companies are concerned that the bridge into the rest of the European community may be weakened. Mr John Major, Britain's prime minister, said last week that final ratification of the Maastricht treaty would be delayed until after a second Danish referendum next May.

Most Japanese-owned companies in Britain, contacted by the Financial Times, believe a division within countries over the Maastricht treaty could damage their businesses in the long term. They said their immediate business plans would not be affected, but that countries should move closer to each other, especially over the single market and single currency.

Mr Kazumi Ueda, managing director of Cony Duxham bearings maker NSK, said: "The UK and other governments are being hasty in pushing it [the Maastricht

treaty] through. A rejection would cause confusion for a short time [and] in the long term the treaty should be approved."

Other companies expressed their concerns more cautiously. Toyota, the car maker whose Derbyshire plant starts production next month, said: "The single market and stability are more important than votes in parliament."

More than two-thirds of production from the new Toyota plant will be exported to the Continent. The company said many people had assumed the fall in the value of sterling after the currency left the Exchange Rate Mechanism would improve profitability. But much of the gain was lost because half the components are to be imported from the Continent.

Sony, Britain's biggest manufacturer and exporter of televisions, from its factories in South Wales, said: "The Maastricht treaty represents the willingness of national authorities to consider Europe as a single entity. We welcome the idea of a single currency to simplify transactions between member-states."

Another large consumer electronics company, which did not want to comment officially, said: "The UK's economic position continues to deteriorate. It is important for Britain to move at the same pace as the rest of Europe."

Meanwhile, Honda, one of the newer arrivals from Japan, is investing \$370m in its Swindon car plant - "part of the reason for our growth is that we now have an effective European headquarters [in Britain]. But there will be no effect on our business plans either way the vote goes."

Not all Japanese-owned companies were worried at the possibility of disruptions to the progress of the Maastricht treaty.

Mr Rife Lewis, president of North Yorkshire car radiator manufacturer ND Marston, owned by Nippondenso, is sanguine - "we have been trading in Europe for more than 10 years and the vote won't affect us very much," he added.

Much of the production is exported to Volkswagen and Volvo among others, and a single currency would nevertheless help, said Mr Lewis.

Daniel Green

Case Study: Hoechst chemicals and pharmaceuticals

Long-term commitment

WHEN Hoechst, the German chemicals and pharmaceuticals group, set up its Japanese arm in 1963, Japan was not yet the industrial power known today, and was largely seen as only a consumer market.

However, the expansion of Japanese industries in the past decade has forced Hoechst to change its strategy drastically, and the country's automobile and electronics industries have now become some of Hoechst's most important business partners.

"At a global group seminar in 1980, there was no talk about Japan," recalls Mr Horst Waesche, president of Hoechst Japan. "But later, when Japan became our competitors, we were suddenly asking ourselves: what are we going to do in Japan?"

Hoechst found that its long-standing relationship with the Japanese market and the familiarity of its name, made things easier in penetrating into the corporate relationships.

Sales at the Hoechst Japan group have grown to ¥174.9bn - up 66 per cent from 1987 - and it holds a big market share in areas where it entered earlier.

For example, Hoechst has a 25 per cent market share in the

agrochemical and herbicides market, while the company boasts a 30 per cent share in high performance pigments.

However, the need to transform its operations in Japan from that of a pharmaceuticals and chemicals trading company to a serious manufacturer, supplying leading automobile and electronics makers, has not been an easy task.

The company's basic strategy has been to build extensive production and research and development facilities, establish alliances with leading Japanese companies, and become suppliers to Japanese companies both in Japan and abroad. Hoechst has spent ¥500m in the last five years on capital investments, including ¥370m north of Tokyo, completed in 1991. It has also decided to invest ¥20m for a new plant for fibre production. Some 40 per cent of Hoechst's products sold in Japan are currently produced locally.

In 1991, Hoechst and Mitsubishi Kasei, the leading chemical concern, agreed to co-operate in the development and production of polyethylene film, a move following a dyestuff joint venture between the two companies set up in the late 1960s. Mr Waesche brushes off wor-



Mr Horst Waesche of Hoechst Japan: "If a foreign company can provide competitive products, there is no discrimination."

ries over the current slowdown in the Japanese economy as short term, describing the symptoms as just a readjustment phase.

"Japanese companies are still making far larger profits than European companies," he says, predicting solid growth in the years following a recovery. Instead, Hoechst has longer-term prospects in mind. The company's pharmaceutical research laboratories will probably not show returns this century. Mr Waesche reckons that the long-term commitment is

what counts. The company was also listed on the Tokyo Stock Exchange's foreign section in late 1991. The move came when trading on the TSE had slumped, prompting foreign companies to review the necessity of a Tokyo listing.

Last September, five international companies including General Motors of the US, Philips Electronics and News Corporation formally applied for delisting due to the high costs and administrative burden in spite of a sharp decline in their local shareholders.

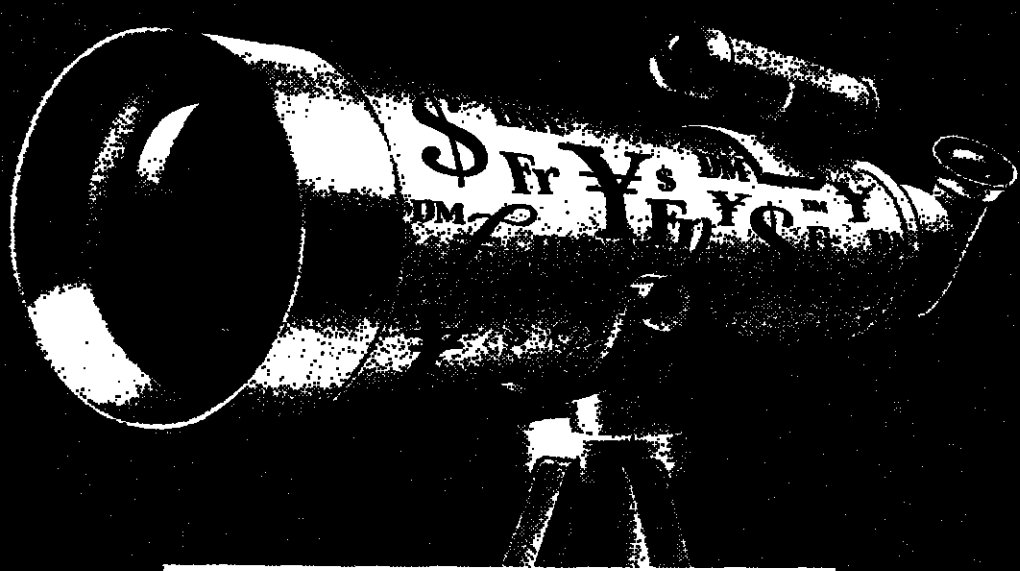
Mr Waesche says he was surprised by the delistings, and adds that the listing is essential for their international profile, especially for recruiting skilled personnel.

Moreover, Japan will become more important due to the growth potential of China. Japanese manufacturing companies are already moving into China by setting up production plants. Mr Waesche says the significant role of Japanese industries in China's industrial growth provides great business potential for Hoechst as well.

Despite claims of unfair business practices among Japanese companies, Mr Waesche points out that if a foreign company can provide competitive products, there is no discrimination - "once you are in, things are fine. The important thing is to establish yourself inside the system."

Emiko Terazono

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6/21/92

JAPAN AND THE EUROPEAN COMMUNITY 5

Japan's growing presence in the EC is leading to greater familiarity with what has long been the unfathomable Japanese way, reports Michiyo Nakamoto

A change in Japan's image

IN ITS recent history Europe has regarded Japan with conflicting feelings of fear and admiration but the image of Japan in the EC is beginning to undergo a significant change with the growing presence of Japanese corporations on European soil.

Japan's image in Europe has differed from country to country depending on the specific economic and political environment of the day. Broadly speaking, interest in Japan has been heavily geared towards industrial and economic issues, with politics, social and cultural themes providing an entertaining additional insight into the nation and its people.

The result has been to exaggerate the impression that Japan is a nation of economic animals who put business before all else and are deprived of the high quality of life enjoyed by many Europeans.

Japan is seen in Europe as a nation of disciplined and dedicated workers where a rigorous educational system, a stable social order and co-operation between industry and government have produced a twentieth century economic miracle.

But this admiration in Europe for Japan's industrial achievements has been offset by incredulity at what appears to many Europeans to be deplorable living and working conditions in Japan and criticism of the collusive business and trade practices and closed society which are seen to be at the foundation of the country's economic might.

The more positive response to Japan contrasts sharply with the suspicion and hostility

felt by some towards the "Japanese way" of doing things - the long working hours and group-oriented way of life - which has been seen to be the basis for the country's economic miracle.

Particularly in countries where nationalistic feelings have run strong, Japan's economic strength has been portrayed as having a price that would be too high for Europeans to pay.

The notorious depiction by Mrs Edith Cresson, the former French prime minister, of the Japanese as being like ants who have little time for anything besides work, is probably

to the elite who would be deprived of jobs if Japanese companies take over most industries, popular opinion has often been antagonistic.

While the image of Japan in Europe is not so far divorced from the reality, as far as working conditions, lifestyle, business practices and the way society works are concerned, there has perhaps been a tendency to read too much into these social differences and the role they have played in Japan's industrial success.

The large number of Japanese corporations being established throughout the EC is, however, leading to less of a

has helped that learning process in Europe - "the more you look at the Japanese transplants you can see that that can be done outside Japan," he says.

While the UK has a big advantage in that respect, the French are also seeing changes in Japan's image among influential circles, according to Mr Claude Meyer, deputy general manager of Bank Européenne de Tokyo and lecturer on Japanese economy at the Paris University Graduate School of Social Sciences.

"Even in business, the Japanese style of industrial management and processes is positively covered, including Japanese factories in France, and has led to some adaptations of industrial processes in French companies," he notes.

The changing environment in Germany, meanwhile, has brought about a shift in Japan's image in another direction. While the Germans have respected Japan's success, their own industrial might has meant that they have been less paranoid, at times almost dismissive, about the Japanese challenge. However, Professor Jones says that Nissan's launch of Lexus, the luxury car "sent a complete shock through the German system."

The Japanese have shown in Lexus that they could do very well in an area that the Germans felt was their own preserve. Now, the Germans are looking at Japan in a very different way and realising that they have to get their act together. *The Machine that Changed the World* has sold three times as many in Germany as in the UK.

WHEN Mr Hirokazu Negishi, Canon's head of research and development for Europe, came up with the idea of a making stereo loudspeaker that would provide stereo effect to a much broader area than conventional box loudspeakers, he chose to develop the product in the UK.

After working on early prototypes, Mr Negishi called on the expertise of Mr Ian Flindell, an acoustics researcher at the Institute of Sound and Vibration Research at the University of Southampton to conduct psycho-acoustic research, and audio designer Mike Jewitt to play a leading role in the design of the innovative speakers.

The result, wide imaging stereo, which uses acoustic mirrors to give a wider stereo effect, became the camera maker's first audio product and was launched in the UK last year.

Canon is one of a growing number of Japanese manufacturers in the EC which have been reaping the benefits of conducting research and design activities in the region.

The number of Japanese manufacturers in the European Community with research and development facilities has surged from 73 just two years ago to 338 at the end of January this year, according to a survey by the Japan External Trade Organisation (Jetro).

Japanese companies in a variety of industrial sectors, ranging from electronics to pharmaceuticals, have been encouraged to set up R&D facilities in the EC both by the need to localise their operations and the recognition that Europe is a rich source of scientific and intellectual talent.

"It is the third wave of Japanese investment in the EC," says Mr Steve Kremer, analyst at the Anglo-Japanese Economic Institute.

The first big wave was of investment in basic assembly facilities which was followed by investment by component suppliers. The third wave of investment in R&D facilities is the next logical step in the globalisation process of Japanese corporations.

The majority of Japanese R&D centres are still concerned mainly with the task of adapting products to local markets, either through cosmetic changes or by incorporating local components into existing designs, Mr Kremer says.

Higher value-added fundamental research is still a small proportion of the total and only 18 per cent of Japanese manufacturers responding to a Jetro sur-

Collaboration in research and development

All-round benefits

very cited basic research as an activity carried out at their R&D centres.

Nevertheless, the presence of Japanese R&D facilities in the EC has brought significant benefits not only to the Japanese companies concerned but to local academic institutions as well.

For European academic and research institutions, Japanese R&D activity, which has sprouted a growing number of collaborative relationships between corporate R&D organisations and local institutions, has become a major source of research funds.

"It has certainly worked from the UK university's point of view," Mr Kremer notes.

"The timing is very good because universities are increasingly having to go out and find funds for their research projects."

Toshiba, for example, contributes substantial funds to Cambridge University

often look abroad for help in specific fields such as pharmaceuticals and software where work has lagged behind the west. Canon's project to develop 3-D graphics based on software rather than hardware is another example of R&D that the group felt would be better done in the UK than in Japan.

The Japanese have been quick to tap the expertise of their EC partners. By locating its R&D Centre within Surrey Research Park, adjacent to the University of Surrey, Canon was able to call on the help of engineers at the University's music department while it was developing the wide imaging stereo.

"Many of these people have very sensitive ears," Mr Negishi says.

Similarly, Toshiba's Cambridge Research Centre, which is the group's first corporate R&D centre outside Japan, is located in the Cambridge Science Park.

Toshiba's R&D Centre, which is one of the more progressive of Japanese R&D facilities in the EC in that it conducts basic research, has access to university facilities and the use of laboratory equipment to carry out collaborative research projects.

In Germany, Matsushita, the electronics group, set up the Panasonic European R&D Centre near Frankfurt, last year.

The centre, which is working on different European television standards, has close relationships with the University of Frankfurt and research contracts with the University of Darmstadt as well as the Academy of Media Arts in Cologne.

Sony Broadcast and Communications Advanced Developments is the Japanese group's R&D centre in Basingstoke which focuses on professional broadcast and audio markets.

Taking the idea of global R&D a step further than most, Sony's research groups based in Japan, California, Australia and the UK are computer networked for extensive co-operation on projects.

Similar collaboration between Japan and the UK has recently produced a high quality converter to integrate high definition TV with the European PAL system.

Michiyo Nakamoto

European executives are discovering that Japanese success does not stem from alien social factors but from different ways of industrial production

not very different from the view that many Europeans have of the Japanese.

The French elite have been scathing in their remarks about Japanese business practices - "the Japanese electronic industry has developed a fearsome war machine," and employs a long-term strategy that is pursued until Japan has conquered the entire electronic industry," writes SCS Thomson, the Franco-Italian semiconductor group, in a report.

Where a nation's elite feel threatened by the Japanese challenge, they will stoke popular fear, says Prof. Daniel Jones, professor of motor industry management at the University of Wales. Thus in France, where the Japanese onslaught poses a large threat

hysterical portrayal of Japan as a nation of economic warriors and more of a concerted effort to take a direct look at what lies behind Japan's industrial prowess.

"We've been going through a learning process in most European countries," says Prof. Jones. Business executives are beginning to see that the Japanese success is not something that stems from alien social factors that would not be acceptable elsewhere but from a different way of production, he says. Prof. Jones is co-author of the book, *The Machine that Changed the World*, which identified the Japanese production process as the source of their success and attempts to explain it.

The growing presence of Japanese transplants in Europe

Japanese financial deregulation

New scope for European brokers and bankers

JAPAN'S ongoing financial deregulation has provided opportunities for European brokers and bankers, but it has also created contradictions for these institutions, which have generally carved off small slices of markets now subject to further deregulation.

Proposals to liberalise the heavily-regulated domestic corporate bond market could make life more difficult for foreign institutions specialising in Japanese business in the Euro-markets, while the planned entry of Japanese bank subsidiaries into investment trusts will intensify the competition in a crowded and, at the moment, shrinking market.

The liberalisation of Japanese markets has created opportunities for European banks, brokers and insurance companies, but the pace of that liberalisation could slow, as some senior officials at the Bank of Japan and ministry of finance consider that these changes are partly responsible for the mess in Japan's financial system.

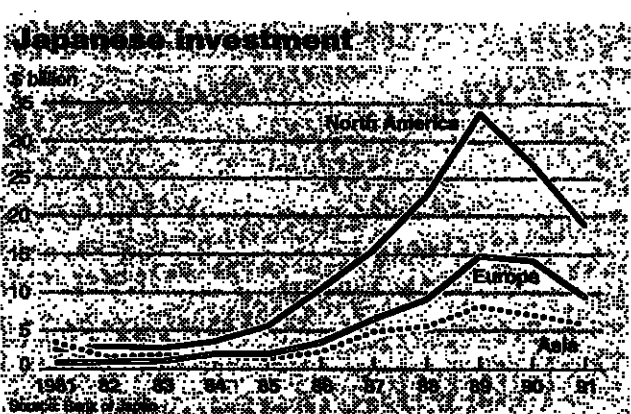
These officials have been made cautious by the collapse of the stock market, the enduring weakness of property prices and the crisis in the banking industry. But other officials within the finance ministry argue that these crises would not have arisen if there had been more competition and better risk management.

The Tokyo Stock Exchange (TSE) has pointed the finger at foreign brokers, US and European, for allegedly dragging down stock prices through their playing of recently liberalised futures and options markets, and Japanese brokers were envious of the collective profits made by foreigners during the first half to the end of September.

During that six months, the 99 Japanese members of the TSE made a collective pre-tax loss of around ¥210bn, while 25 foreign members made a profit of ¥30bn, down from ¥50bn in the previous period, but still large enough to draw attention to their activities in the derivatives markets.

The TSE argues that individual investors are intimidated by sudden price movements inspired by the foreigners' trading habits. These concerns prompted the Osaka Stock Exchange, under pressure from the TSE, to lift margin requirements three times last year - the bulk of Japan's stock futures trading is done on the Osaka exchange, although the index is based on Tokyo cash prices.

In response, the council of the European Business Community in Japan has suggested that there be more consultation before rule changes are made. The TSE is presently conducting a study into the



derivatives markets, and while European brokers are confident that the exchange will find the markets are not at fault, there is a fear that the exchange may need to be seen to justify its concern by making further changes to trading regulations.

The manager of a British house in Tokyo says that "arbitrary" changes in rules are against the spirit of internationalisation that the Tokyo exchange is wanting to cultivate. Some European brokers are looking a profit, but the industry is under pressure to restructure because of the continuing weakness of the Tokyo market.

A sign of the contradictory pressures created by financial

Japan's financial reforms are creating contradictory pressures

reforms is the debate over the deregulation of stock brokerage commissions.

In principle, fees should be deregulated to bring Tokyo in line with other international financial centres, but foreign brokers warn that their market share could be squeezed in the competitive crush.

Officials from the London exchange have cautioned their Japanese counterparts about a sudden change in the commission structure and said attention must be paid to the extreme pressure on brokers in the Japanese market.

The difficulties faced by Japanese banks, badly bruised by their exposure to the domestic property market, have provided opportunities for European banks, though the traditionally close relationships between Japanese banks and domestic corporate clients, often extending to cross-shareholdings, are still strong.

At the third meeting of the Import Board of Japan's Ministry of International Trade and Industry (MITI) in July, the EBC complained that foreign banks' share of lending was only 1.5 per cent of the Japanese market. To increase that share, the EBC suggested that local banking rules should

meet international standards and that deregulation should be quickened.

The most significant change in the banking market is the non-performing loan exposure of leading Japanese banks, which rose 54 per cent to ¥12,300bn in the six months to the end of September.

Meanwhile, banks' trimming of assets to meet capital adequacy standards established by the Bank for International Settlements have created opportunities for European banks. As part of that trimming, Japanese commercial banks have been willing to sell loans to regional and foreign banks.

Reforms are pending in the insurance market, though the fate is unclear of recommendations by a insurance industry advisory council, which recently recommended to the finance ministry that study groups be established to consider a relaxation of the tight controls over product lines and pricing.

Ten European non-life companies have licences in Japan, and Mr Mike Gouley, manager of Royal Insurance in Japan, said that the timing and extent of the reforms are yet to be decided, but there is a recognition that the "consumer deserves more choice".

However, the regulation of prices ensures the survival of smaller companies, and a sudden deregulation of prices could make life more difficult for some foreign companies in Japan. Mr Gouley says Royal Insurance, which opened its Tokyo branch in 1975, has the advantage that many Japanese recognise London as the international centre for insurance - "in our direct marketing we are emphasising that we are a British company."

Robert Thomson

Call loans of foreign banks in Japan in billions of yen at end of period:	
1986	1,902
1987	2,499
1988	2,499
1989	2,663
1990	2,725
1991	3,254

Source: Bank of Japan.

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JAPAN AND THE EUROPEAN COMMUNITY 6



Tomohiko Kobayashi: "Active co-operation has really started"

MR TOMOHIKO KOBAYASHI, Japan's ambassador to the European Community, answers questions put to him by Ian Rodger of the Financial Times.

QUESTION: Tension between Japan and the EC appears to have subsided in recent months. Has the development of the relationship become less urgent?

ANSWER: Because of the decline of order in the international situation, it is more urgent than ever to develop our relationships. The world needs stronger leadership. Europe, Japan and North America are the only possible leaders. Russia and China are not ready yet.

But everyone seems to be more concerned with domestic problems than international orders.

Unfortunately, we in Japan are hindered by the weakening of the Liberal Democratic Party and by the slowing down of the economy until some time next year. For example, on the question of accepting tariffication on agricultural products - this kind of initiative is not foreseeable. EC Commission leaders are also hindered by internal problems. So what can be done?

At this stage, we cannot do

Interview with Japan's ambassador to the European Community

Understanding is deepening

very spectacular things, but we can make concrete progress in particular areas. For example, we had our first high level meeting early this year on environmental co-operation, and identified many areas where we could work together.

The EC has promised to help us in studies of the Sarawak tropical forest (in Indonesia), and Japan has agreed to participate in studies of the Brazilian tropical forest, which is of great interest to the EC.

On science and technology, we will be having our first meeting of experts shortly, and we have started co-operation on the Human Frontier programme. Japan has also reached an agreement with the US, Russia and the EC on research into nuclear fusion, and, like the US, we are a party to the European Energy Charter, under which concrete agreements for joint research and development into alternative forms of energy are being negotiated.

We have had three seminars on social policy so far. I think that by comparing notes on

social and labour policies, European understanding of Japanese systems is deepening, so we no longer get these sweeping criticisms based on lack of knowledge. For example, our annual working hours, which everyone criticises, are almost the same as those in the US or the UK.

So, active co-operation has really started. We are not just at the rhetorical level as we were in July 1991 when we signed our joint declaration. Relations are no longer based only on trade problems. Of course, trade problems exist, and we have to manage them carefully so as not to poison our overall relations.

Some analysts say that Japan has been reluctant or unable to carry through on its stated desire to develop stronger political relations with Europe.

Not true. We took the initiative to broaden relations. The joint declaration was a Japanese initiative. It says that political dialogue is very important, and between the EC Council, the EC Commission and the Japanese government,

dialogue has already started. We have worked on joint assessments of the former Soviet Union, and we are working together in the G24 group on eastern Europe. We have at last become an observer on the Committee for Security and Co-operation in Europe (CSCE) this year, but France is reluctant that we participate fully.

Maybe the European complaint that we do not pay enough attention to Europe is justified because interest on the Japanese side is still limited to very few people. The focus of most businessmen is on the US and Asia.

Europe, with the exception of the UK, is still considered a difficult region for Japanese business, and this view is reinforced by anti-Japanese outbursts from Mrs Edith Cresson (the former French prime minister) and Mr Jacques Calvet (chairman of the Peugeot motor group).

Even Germany is a difficult country for Japanese businessmen. People complain about Japanese *keiretsu*, but we find there are very strong business

ties between banks and enterprises in Germany that make it very difficult for us to penetrate.

And there are serious labour problems in Germany. People like Mr Akio Morita of Sony are trying hard to change views, and the latest slogan in Japan for promoting global business understanding is "harmonious symbiosis" - whatever that may mean!

SOME Europeans complain that Japan is not doing enough to help the eastern European countries and the former Soviet Union countries.

The mass media in Europe are too egocentric. Even the EC Commission says that Japan should take on the same level of burden there as a European country. But for us, the significance of eastern Europe is very different. Germany got back the eastern *lander*, which was a triumph for democracy in western Europe. And now the white, Christian people in the other eastern European countries are coming back to their western cultural home, so western Europe is very happy, even euphoric.

Therefore, it is normal that they should pay for the regeneration of eastern Europe. Of course, if we reflect on the worldwide significance, Japan has to share the responsibility too, and we are ready to do that. But we have not had historical relations with eastern Europe.

Look at it the other way round: what is happening in Cambodia or North Korea or Mongolia? Only Japan is helping Mongolia's democratisation drive with massive aid. We are

the biggest provider of official development aid (ODA) to China, and we have other constituencies, willy nilly, as a result of geography, like Bangladesh.

We advocate that the five former Soviet republics in central Asia should be entitled to ODA, but our initiative is being hampered by some European countries that want to direct aid mainly to their former eastern European friends.

We understand that Europe is not so interested in these areas, but we are telling Europeans that they should become more involved in Asian problems because the US is retreating, and many Asian countries are worried. A European presence could be an element of security in Asia, even calming fears of Japanese domination.

As for Russia, it is doing very little to ease tensions in the far east. Its military power there may even be increasing as it replaces old equipment. It is still occupying part of our country.

So how can we give massive macro-economic aid? Would France give financial aid to a country that was occupying Alsace?

War-time resentment against Russia is still strong in Japan. The Soviet Union took 600,000 Japanese prisoners after the war, and there were terrible stories of torture and deprivation. Yet, we have pledged \$2.6bn in technical and humanitarian assistance. The IMF is giving \$24bn to Russia, and we are the second largest contributor to the IMF.

So there are differences in viewpoint. We cannot avoid misunderstandings - that is why political dialogue is necessary. The UK presidency is doing a lot. They brief us regularly and we have responded by sending the deputy minister for political affairs for regular private consultations in Europe. Understanding is deepening, little by little.



Shiseido's 22m Haute Parfumerie opened this year

Shiseido: a powerful player in the international cosmetics industry

Parisian showcase links two cultures

THERE are few parts of Paris that are quite as French as the Palais Royal, the sumptuous squares and arched arcades built by Cardinal Richelieu in the 17th century and now colonised by such Parisian institutions as Jack Lang's arts ministry and the Grand Vélour, one of the oldest and finest restaurants in the city.

Hidden in the arches is a pretty painted shop with astrological symbols and animal images sketched on its walls in different shades of purple and elegantly-shaped flasks of perfume in the windows. This is the *Haute Parfumerie* opened earlier this year by Shiseido, the Japanese company which is one of the most powerful players in the international cosmetics industry, as a showcase for its European interests.

Shiseido spent more than \$2m to create its *Haute Parfumerie*. It sells its perfumes from the shop, but sees it less as a regular retail outlet than as an extension of its publicity programme along the lines of the lavishly beauty salons owned by the established French fragrance houses, Guerlain and Boucheron.

The *Haute Parfumerie* also marks the latest stage of Shiseido's expansion in Europe. Shiseido first ventured into Europe in the early 1960s, when it started selling its products in Italy. It formalised its Italian links in 1980 by setting up Shiseido Cosmetics (Italia) as its first European subsidiary.

Italy was used as a testing ground throughout the 1970s - "in the early days we treated the Italian operation very much as an experiment," says Mr Yukata Goto, chief executive of Shiseido International (France). "And we learnt a lot from our experience there."

In 1980 Shiseido was ready to launch a fully-fledged assault on the European market, where it faced strong competition from indigenous companies, including L'Oréal of France, as well as the US groups, Revlon and Estée Lauder. The group set up new subsidiaries in France, Germany and, later, in the UK.

Shiseido also introduced specially developed versions of all its ranges - perfumes, skin care products and cosmetics - for the European market. Its Italian experience had demonstrated that it could not expect to sell the same formulae in Europe as in its native Japan. "The demands of European consumers are different for every product type," said Mr Goto. "The Japanese tend to prefer lighter, more subtle fragrances than the Europeans. There are also differences in skin types and in the climate, which is much more humid in Japan."

Similarly Shiseido decided to adopt a different approach to marketing. In 1980 it appointed Serge Lutens, a French designer and stylist, as its international image creator. He has since co-ordinated every aspect of its publicity campaigns ranging from its advertising campaigns to the decoration of the Palais Royal salon.

But until recently Shiseido shipped its specially developed European ranges over from its factories in Japan and the US. This year it opened its first European production plant, a factory at Gien in France.

SHISEIDO now directly employs 700 in Europe, where it made sales of \$134m in its last financial year, an increase of 17 per cent on the previous year. This means that Europe now represents 30 per cent of its sales outside Japan, or 3.3 per cent of the group's overall \$4.06bn turnover. This means that Europe now plays a pivotal part in Shiseido's attempts to increase its overall share of the international cosmetics market from 11 per cent to 15 per cent by the year 2000.

Shiseido plans to concentrate on expanding its distribution, rather than manufacturing, activities in Europe. The opening of the *Haute Parfumerie* in the Palais Royal forms part of this strategy being, as Yoshiharu Fukuhara, Shiseido's worldwide chief executive, put it, "an ideal bridge linking our two cultures."

Alice Rawsthorn

The announcement appears in a matter of record only

US\$ 145,000,000

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SUMITOMO BANK

June 1992

The announcement appears in a matter of record only

DM 65,000,000

Condor

Condor Flugdienst GmbH

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Arranger and Agent

SUMITOMO BANK

April 1992

The announcement appears in a matter of record only

US\$ 59,830,161.03

Trident Aviation Leasing Services (Jersey) Limited

Supported by **BRITISH AEROSPACE**

Debt Facility for a Japanese Leveraged Lease for 5 ATP Aircraft

Joint Debt Arranger

SUMITOMO BANK

March 1992

The announcement appears in a matter of record only

ECU 73,987,500
DM 188,398,237.50
FFr 153,019,716

EDP - Electricidade de Portugal, S.A.

Term Credit Facility

Joint Arranger

SUMITOMO BANK

September 1992

The announcement appears in a matter of record only

US\$ 60,000,000

Türkiye Kalkınma Bankası A.Ş.
(DEVELOPMENT BANK OF TURKEY)

Term Credit Facility

Arranger

SUMITOMO BANK

May 1992

The announcement appears in a matter of record only

US\$ 95,000,000

Credito Industriale Sardo

Term Credit Facility

Joint Arranger

SUMITOMO BANK

June 1992

The announcement appears in a matter of record only

DM 70,000,000

FSKYEIDASJÖÐUR ÍSLANDS
(The Fisheries Investment Fund of Iceland)

Term Credit Facility

Arranger

SUMITOMO BANK

May 1992

The announcement appears in a matter of record only

US\$ 25,000,000

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